# Annual Report 1984

BCE

Bell Canada Enterprises Inc.

# Notice of Annual Meeting 1985 and Information Circular

Bell Canada Enterprises Inc.

To ensure representation of your shares at the meeting, please complete, sign and return your proxy form as soon as possible.

It is important that your shares be represented at the meeting and that your wishes be made known to the Directors. This will be assured, whether or not you attend the meeting, if you complete and sign the enclosed proxy form, and return it as soon as possible in the postage-paid envelope provided.

If you are present at the meeting and choose to vote in person on any ballot that may be called, your proxy will not be used; if you do not attend or do not wish to vote in person, your proxy will be voted for or against or withheld from voting in accordance with your wishes as specified thereon in any ballot that may be called at the meeting.

Proxies to be used at the meeting must be sent by mail at Box 2250, Tour de la Bourse, Montreal, Quebec, Canada H4Z 1K7 or delivered in person at 800 Square Victoria, 2nd floor, Montreal, Quebec. Shareholders residing outside of Canada should mail their proxies as follows: Bell Canada Enterprises Inc., Box 127, Rouses Point, N.Y. 12979, U.S.A.

**Canadian Mail Service Interruption**

If there is mail service interruption in Canada prior to mailing by a Canadian Shareholder of his completed proxy to BCE, it is recommended that the Shareholder deposit his completed proxy, in the envelope provided, at either of the two BCE offices:

800 Square Victoria
2nd Floor
Montreal

483 Bay Street
2nd Floor
Toronto

or at any of the following offices of the Canada Permanent Trust Company which has been specially appointed as agent of BCE for such purpose:

**Alberta**
311 – 6th Avenue S.W.
Calgary

10038 Jasper Avenue
Edmonton

**British Columbia**
701 W. Georgia Street
Vancouver

1125 Douglas Street
Victoria

**Manitoba**
433 Portage Avenue
Winnipeg

**New Brunswick**
426 Queen Street
Fredericton

53 King Street
Saint John

**Newfoundland**
240 Water Street
St. John's

**Nova Scotia**
1646 Barrington Street
Halifax

**Ontario**
39 James Street S.
Hamilton

361 Richmond Street
London

30 Metcalfe Street
Ottawa

**Prince Edward Island**
129 Kent Street
Charlottetown

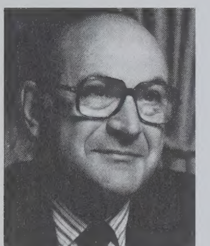
**Quebec**
2925 chemin Ste-Foy
Quebec

**Saskatchewan**
1778 Scarth Street
Regina

Shareholders residing outside of Canada will not be affected by a Canadian mail service interruption if they use the envelope provided by BCE for the return of their proxy.

**All proxies must be received by the Treasurer, Bell Canada Enterprises Inc., or its agent, prior to 12:00 noon (Montreal time) on April 29, 1985.**

Dear Shareholder:



As indicated in the accompanying notice, the 1985 Annual Meeting of Shareholders will be held in Salon 9 of the Edmonton Convention Centre, in Edmonton, Alberta, on Wednesday, May 1, 1985, at 10:00 a.m. With BCE's interests extending across Canada, it is appropriate that we meet with our Shareholders in Western Canada and I cordially invite them, as well as all other Shareholders, to attend this meeting. An admission ticket has been attached to the proxy form for that purpose.

Details of the items to be dealt with at the meeting can be found in this Information Circular. You will note that, in addition to the usual items of business, we are asking the Shareholders to approve a Long-Term Incentive (Stock Option) Program. This plan will permit us to grant to key employees of BCE and of its subsidiaries options to purchase common shares of the Corporation, thereby encouraging them to obtain an increased proprietary interest in the enterprise. The plan will ensure that the interests of executives are aligned with those of the Shareholders by relating longer term incentives to continued and sustained growth in shareholder value. This plan is designed to assist BCE in attracting and retaining experienced and capable executives.

It is important that as many shares as possible be represented at the meeting. Therefore, if you are unable to attend in person, please date, sign and promptly return the enclosed proxy form in the envelope provided for this purpose. If you intend to be present at the meeting, you may nevertheless find it convenient to express your views in advance by returning the proxy form duly completed.

Yours sincerely,

A. Jean de Grandpré,
Chairman of the Board

February 27, 1985

# Notice of Annual Meeting 1985

The Annual Meeting of the Shareholders of Bell Canada Enterprises Inc. will be held in Salon 9 of the Edmonton Convention Centre, 9797 Jasper Avenue, Edmonton, Alberta, on Wednesday, May 1, 1985, at 10:00 a.m. (local time), for the following purposes:

- to receive the Report of the Directors, the Consolidated Financial Statements of Bell Canada Enterprises Inc. for the year ended December 31, 1984 and the Report of the Auditors on the Financial Statements;

- to elect Directors for the ensuing year;

- to appoint Auditors to hold office until the close of the next Annual Meeting;

- to consider and, if deemed advisable, to approve the Long-Term Incentive (Stock Option) Program (1985); and

- to transact such other business as may properly be brought before the meeting.

Shareholders registered at the close of business on March 12, 1985 will be entitled to receive notice of the meeting.

Proxies to be used at the meeting must be received by the Treasurer, Bell Canada Enterprises Inc., by mail at Box 2250, Tour de la Bourse, Montreal, Quebec, Canada H4Z 1K7 or in person at 800 Square Victoria, 2nd floor, Montreal, Quebec, or by agents appointed by the Corporation for such purpose, prior to 12:00 noon (Montreal time) on April 29, 1985. Shareholders residing outside of Canada should mail their proxies to the following address: Bell Canada Enterprises Inc., Box 127, Rouses Point, N.Y. 12979, U.S.A.

By order of the Board of Directors,

Guy Houle, Corporate Secretary

Montreal, February 27, 1985

Information Circular
and Proxy Statement
Dated February 14, 1985

# General

**This Information Circular and Proxy Statement is furnished in connection with the solicitation by the management and the Board of Directors of Bell Canada Enterprises Inc. ("BCE" or the "Corporation")** of proxies to be used at the Annual Meeting of the Shareholders of the Corporation to be held in Edmonton, Alberta, on May 1, 1985, and at any adjournments thereof. Solicitation of proxies will be by mail beginning on or about March 13, 1985, supplemented by telephone or other personal contact by employees of the Corporation at nominal cost, and all costs thereof will be borne by the Corporation. The principal executive offices of the Corporation are located at 800 Square Victoria, 44th floor, Montreal, Quebec.

### Provisions Relating to Voting

As of the date of this Circular, ownership of the Corporation was represented by 234,886,816 Common Shares, 18,093,384 First Preferred Shares and 3,037,427 Second Preferred Shares. Bell Canada, a wholly-owned subsidiary of BCE, owns 100% of the Second Preferred Shares and, under applicable corporate legislation, cannot exercise the voting rights attached to such shares.

Each share entitles the registered holder thereof to one vote on each ballot taken at any general meeting of the Shareholders of the Corporation; such votes may be given in person or by proxy. The Shareholders have the right to elect all Directors of the Corporation, to appoint Auditors, and to vote for, vote against or abstain from voting on any other matter of business that may properly be brought before the meeting.

Only owners of shares registered on the books of the Corporation at the close of business on March 12, 1985, or their duly appointed proxies, will be entitled to attend or to register a vote at the Annual Meeting, unless after that date shares are transferred and the transferee establishes that he owns the shares and demands by the close of business on April 22, 1985 that the transferee's name be included in the list of Shareholders entitled to vote.

Shares may either be voted for or withheld from voting in the election of Directors and the appointment of Auditors. On other matters, the Shareholder may either vote for, vote against or abstain from voting on the proposal.

### Provisions Relating to Proxies

All shares represented by properly executed proxies received by the Corporation prior to 12:00 noon (Montreal time) on April 29, 1985 will be voted for or against or withheld from voting, in accordance with the wishes of the Shareholder as specified thereon in any ballot that may be called at the meeting. The Canada Permanent Trust Company will act as official scrutineers at the meeting. The form of proxy enclosed herewith, when properly signed, confers discretionary authority on the person or persons named as proxy with respect to any matter on which no choice is specified, to all amendments or variations to matters identified in the Notice of Meeting and to any other matter which may properly come before the meeting. The Directors and Officers of the Corporation are not aware of any matter other than those indicated in the accompanying Notice of Meeting which may be submitted to the meeting for action.

The instrument appointing a proxy must be in writing and must be signed by the Shareholder or by an attorney authorized in writing. In addition to any other manner permitted by law, a Shareholder who has given a proxy may revoke it by signing in person or by an attorney authorized in writing, a written instrument and by depositing such instrument with the Treasurer of the Corporation at 800 Square Victoria, 2nd floor, Montreal, Quebec, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, or with the Chairman of the meeting on the day of the meeting, or any adjournment thereof.

The Corporation may appoint agents in cities other than Montreal for the purpose of facilitating the delivery of proxies; if such agents are appointed, the Treasurer will supply their names and addresses on request.

**Shareholder Proposals**

Proposals intended for inclusion in next year's Information Circular and Proxy Statement pursuant to applicable Canadian law should be sent to the Corporate Secretary, Box 321, Tour de la Bourse, Montreal, Quebec, Canada H4Z 1G8 and generally must be received before January 31, 1986; the deadline for such proposals pursuant to United States securities laws is October 16, 1985.

## Business to be Transacted at the Meeting

(See Notice of Meeting, page 1)

**Presentation of Annual Report and Financial Statements**

The report of the Directors to the Shareholders, the consolidated financial statements of BCE for the year ended December 31, 1984, and the report of the Shareholders' Auditors thereon will be placed before the meeting.

Additional copies of the Annual Report, in English or in French, may be obtained from the Corporate Secretary, Box 321, Tour de la Bourse, Montreal, Quebec, Canada H4Z 1G8.

**Election of Directors**
*(See item 1 on proxy form)*

A Board of 20 Directors is to be elected to hold office until the next Annual Meeting of the Shareholders.

The persons nominated in the list which follows are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year. Except for Messrs. A.H. Ross and L.R. Wilson, all are present Directors of the Corporation; all nominees have formally established their eligibility and willingness to serve. Two vacancies on the Board of Directors occurred in September 1984 with the resignation of Messrs. W.F. Light and J.C. Thackray. Coincident with the above, Messrs. J.V.R. Cyr and E.B. Fitzgerald were appointed Directors. Messrs. A.H. Ross and L.R. Wilson are nominated to succeed Mr. O. Tropea and Dr. H.R. Robertson who are not standing for re-election to the Board of Directors.

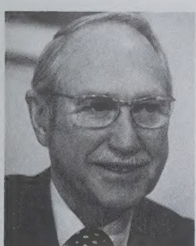
It is the intention of the persons whose names are printed in the enclosed proxy form to vote such proxy for the election of the nominees listed herein unless specifically instructed on the proxy form to withhold such vote.

If, prior to the Annual Meeting, any of the listed nominees should become unavailable to serve, the persons designated in the proxy form will have the right to use their discretion in voting for a properly qualified substitute.

## Nominees for Election as Directors and Beneficial Shareholdings in BCE, its subsidiaries and associated companies* (See notes page 8)

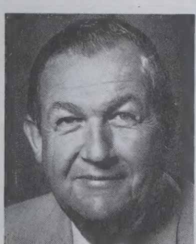
**Marcel Bélanger,** O.C., F.C.A., of Quebec, Quebec, age 64, is President of Gagnon et Bélanger Inc., a management consultant firm, and is a former President of the Canadian Institute of Chartered Accountants. He has served as a Director since March 1969, is Chairman of the Audit Committee and a member of the Investment Committee.

| | |
|---|---|
| BCE Common | 5,881 |
| BCE First Preferred | 1,000 |
| NTL Common | 4,300 |



**George Allan Burton,** D.S.O., E.D., of Milton, Ontario, age 70, is a former Chairman and Chief Executive Officer of Simpsons Limited, retail department stores. He has served as a Director since May 1974 and is a member of the Management Resources and Compensation Committee.

| | |
|---|---|
| BCE Common | 11,503 |
| BCE First Preferred | 1,600 |
| NTL Common | 1,950 |



**Joseph Victor Raymond Cyr** of Montreal, Quebec, age 51, is Chairman of the Board, President and Chief Executive Officer of Bell Canada, a supplier of telecommunications services and equipment. He has served as a Director since October 1984. He is also a Director of Northern Telecom Limited.

| | |
|---|---|
| BCE Common | 1,435 |
| NTL Common | 100 |

**Charles William Daniel,** O.C., of Willowdale, Ontario, age 59, is President and Chief Executive Officer and a Director of Shell Canada Limited, an integrated petroleum company. He has served as a Director since April 1983 and is a member of the Investment Committee.

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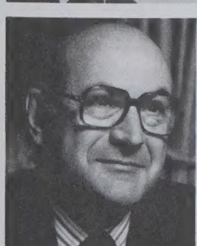
|---|---|
| BCE Common | 100 |
| NTL Common | 300 |

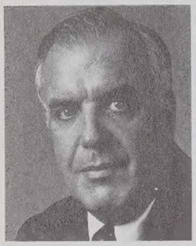


**Albert Jean de Grandpré,** O.C., Q.C., of Outremont, Quebec, age 63, is Chairman of the Board and Chief Executive Officer of the Corporation. He has served as a Director since July 1972 and is Chairman of the Investment Committee. He is also a Director of Bell Canada, Northern Telecom Limited, TransCanada PipeLines Limited, The Seagram Company Ltd. and Chrysler Corporation.

| | |
|---|---|
| | (H) |
| BCE Common | 11,813 |
| NTL Common | 3,000 |
| TCPL Common | 1,220 |

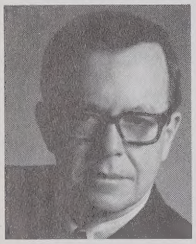
**names abbreviated as indicated in brackets: Northern Telecom Limited (NTL), TransCanada PipeLines Limited (TCPL) and The New Brunswick Telephone Company, Limited (NBTel).*

## Nominees for Election as Directors and Beneficial Shareholdings in BCE, its subsidiaries and associated companies* (See notes page 8)



**Edmund Bacon Fitzgerald** of Nashville, Tennessee, age 59, is President and Chief Executive Officer and a Director of Northern Telecom Limited, a manufacturer of telecommunications and information processing equipment. He has served as a Director since October 1984. He is also a Director of Bell Canada and Koppers Company, Inc., and a trustee of The Northwestern Mutual Life Insurance Company.

| | (I) |
|---|---|
| BCE Common | 1,000 |
| NTL Common | 30,401 |



**John Peter Gordon,** O.C., of Mississauga, Ontario, age 64, is Chairman of Stelco Inc., a steel company. He has served as a Director since April 1982 and is a member of the Management Resources and Compensation Committee. He is also a Director of Gulf Oil Corporation and INCO LIMITED.

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|---|---|
| BCE Common | 5,169 |
| NTL Common | 808 |
| TCPL Common | 1,043 |

**Henry Clifford Hatch** of Windsor, Ontario, age 68, is Chairman of the Executive Committee of the Board of Directors of Hiram Walker Resources Ltd., a producer of distilled spirits, gas and oil. He has served as a Director since April 1974 and is a member of the Management Resources and Compensation Committee.

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|---|---|
| BCE Common | 3,662 |
| NTL Common | 1,400 |
| TCPL Common | 300 |

**James Winslow Kerr** of Toronto, Ontario, age 70, is a Consultant to and former Chairman and Chief Executive Officer of TransCanada PipeLines Limited, a natural gas transmission company. Mr. Kerr has served as a Director since August 1970 and is Chairman of the Management Resources and Compensation Committee. He is also a Director of Bell Canada, Northern Telecom Limited and Maple Leaf Mills Limited.

| | |
|---|---|
| BCE Common | 1,095 |
| BCE First Preferred | 1,250 |
| NTL Common | 1,200 |
| TCPL Common | 17,925 |

**Radcliffe Robertson Latimer** of Toronto, Ontario, age 51, is President and Chief Executive Officer and a Director of TransCanada PipeLines Limited, a natural gas transmission company. He has served as a Director since January 1984.

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|---|---|
| BCE Common | 525 |
| TCPL Common | 200,507 |

**names abbreviated as indicated in brackets: Northern Telecom Limited (NTL), TransCanada PipeLines Limited (TCPL) and The New Brunswick Telephone Company, Limited (NBTel).*

## Nominees for Election as Directors and Beneficial Shareholdings in BCE, its subsidiaries and associated companies* (See notes page 8)

**Paul Henri Leman,** O.C., of Outremont, Quebec, age 69, is a Director of Alcan Aluminium Limited, an industrial company. He has served as a Director since April 1976 and is a member of the Audit Committee. He is also a Director of Bell Canada.

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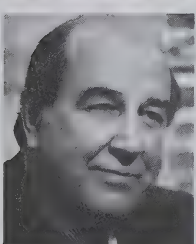
|---|---|
| BCE Common | 1,500 |

**Helen Lavina Margison** of Toronto, Ontario, age 67, is a former President of a private investments firm dealing in securities and real estate. She has served as a Director since April 1978 and is a member of the Investment Committee.

| | |
|---|---|
| BCE Common | 1,530 |

**Edward Neil McKelvey,** Q.C., of Saint John, New Brunswick, age 59, is a Partner in the law firm of McKelvey, Macaulay, Machum and is a former President of The Canadian Bar Association and the International Bar Association. He has served as a Director since April 1973 and is a member of the Audit Committee.

| | |
|---|---|
| BCE Common | 900 |
| NTL Common | 615 |
| NBTel Common | 700 |



**John Henderson Moore,** F.C.A., of Lambeth, Ontario, age 69, is Chairman of the Executive Committee of the Board of Directors of London Life Insurance Company. He has served as a Director since March 1966 and is a member of both the Audit and Investment Committees. He is also a Director of Bell Canada, Northern Telecom Limited and Canadian Pacific Limited.

| | |
|---|---|
| | (J) |
| BCE Common | 6,600 |
| NTL Common | 11,300 |
| NTL Preferred | 500 |
| TCPL Common | 5,000 |

**Gérard Plourde,** O.C., of Montreal, Quebec, age 69, is Chairman of the Board of U A P Inc., an automotive parts distributor. He has served as a Director since January 1973 and is a member of the Audit Committee. He is also a Director of Bell Canada, Northern Telecom Limited and Gulf Canada Limited.

| | |
|---|---|
| BCE Common | 13,532 |
| NTL Common | 900 |

**names abbreviated as indicated in brackets: Northern Telecom Limited (NTL), TransCanada PipeLines Limited (TCPL) and The New Brunswick Telephone Company, Limited (NBTel).*

## Nominees for Election as Directors and Beneficial Shareholdings in BCE, its subsidiaries and associated companies* (See notes page 8)

**Robert John Richardson,** Sc.D., of Westmount, Quebec, age 56, is President of the Corporation. He has served as a Director since January 1978 and is a member of the Investment Committee. He is also a Director of Bell Canada, Northern Telecom Limited and TransCanada PipeLines Limited.

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|---|---|
| BCE Common | 300 |
| NTL Common | 500 |
| TCPL Common | 1,000 |

**Lucien Gilbert Rolland,** O.C., of Montreal, Quebec, age 68, is Chairman of the Board and Chief Executive Officer of Rolland inc., a manufacturer and distributor of fine papers. He has served as a Director since July 1965 and is a member of the Management Resources and Compensation Committee. He is also a Director of INCO LIMITED, Canadian Pacific Limited and Canadian Fund, Inc.

| | |
|---|---|
| BCE Common | 2,242 |
| TCPL First Preferred | 100 |

**Alastair Henry Ross** of Calgary, Alberta, age 61, is President of Allaro Resources Ltd., a private oil and gas exploration company. He is also a Director of Mizel Petro Resources, Inc.

| | |
|---|---|
| BCE Common | 1,000 |

**Louise Brais Vaillancourt** of Outremont, Quebec, age 58, is President of the Fondation Armand-Frappier, a non-profit organization involved in the funding of various research programs for the Institut Armand-Frappier. She has served as a Director since January 1975 and is a member of the Audit Committee. She is also a Director of Carling O'Keefe Limited.

| | |
|---|---|
| | (K) |
| BCE Common | 280 |
| NTL Common | 150 |

**Lynton Ronald Wilson** of Mississauga, Ontario, age 44, is President and Chief Executive Officer of Redpath Industries Ltd., sugar refiners. He is also a Director of Massey-Ferguson Limited.

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|---|---|
| BCE Common | 200 |

**names abbreviated as indicated in brackets: Northern Telecom Limited (NTL), TransCanada PipeLines Limited (TCPL) and The New Brunswick Telephone Company, Limited (NBTel).*

**Notes:**

A) BCE succeeded Bell Canada as the publicly-held parent company of the group on April 28, 1983. References to the service of the above persons as Directors prior to such date constitute references to their service on the Board of Bell Canada as the then parent company of the group.

B) All of the above named nominees have held the positions disclosed above or other executive positions with the same or affiliated firms or organizations during the past five years with the following exceptions: Mr. E.B. Fitzgerald was, prior to May 1980, Managing Director of Hampshire Associates, a consulting firm;
Mr. J.H. Moore was, prior to January 1981, Chairman of the Board of John Labatt Limited, a management holding company;
Mr. R.J. Richardson was, prior to May 1984, an Executive Vice-President of E.I. du Pont de Nemours and Company, a chemical manufacturer;
Mrs. L.B. Vaillancourt has held her present position since March 1981; Mr. L.R. Wilson was, prior to June 1981, Deputy Minister, Ministry of Industry and Tourism, Government of Ontario.

C) In addition to the principal position held by each nominee, directorships are also included on the boards of companies with a class of securities registered pursuant to Section 12 of the United States Securities Exchange Act of 1934 or subject to the requirements of Section 15(d) of the Act or registered under the United States Investment Company Act of 1940.

D) Only memberships on Standing Committees of the Board of Directors of BCE have been indicated above.

E) The nominees' shares listed above may include shares owned by members of their immediate families, estates and family corporations. In addition to the disclaimer indicated in Note K, the number of shares shown above as being owned by certain Directors may include certain shares for which such Directors have disclaimed beneficial ownership.

F) Except as indicated in Notes H, I and J, the nominees, and/or persons referred to in Note E, have sole voting and investment power with respect to the securities listed.

G) Certain of the above Directors also hold qualifying shares entitling them to serve as Directors of Bell Canada, a wholly-owned subsidiary of BCE; these shares have not been included in the above table.

H) The shares listed include 5,172 BCE Common Shares, 3,000 NTL Common Shares and 1,200 TCPL Common Shares as to which Mr. de Grandpré shares investment and voting power with his wife and his four children.

I) The shares listed include 1,200 NTL Common Shares held in trust for the benefit of Mr. Fitzgerald's children and as to which Mr. Fitzgerald shares investment and voting power with several trustees and 13,000 NTL Common Shares as to which Mr. Fitzgerald shares investment and voting power with the co-executor of an estate in which neither Mr. Fitzgerald nor any member of his immediate family has any vested interest.

J) The shares listed include 1,500 BCE Common Shares and 1,800 NTL Common Shares as to which Mr. Moore shares investment and voting power with co-trustees.

K) The shares listed exclude 3,540 BCE Common Shares held by an estate of which Mrs. Vaillancourt is one of the beneficiaries and of which her husband is one of the four testamentary executors; Mrs. Vaillancourt disclaims beneficial ownership of such shares.

## Appointment of Auditors
*(See item 2 on proxy form)*

A firm of Auditors is to be appointed by vote of the Shareholders at the Annual Meeting to serve as Auditors of the Corporation until the close of the next Annual Meeting. The Board of Directors, on the advice of the Audit Committee, recommends that Touche Ross & Co. be reappointed as the Shareholders' Auditors. This firm and its predecessor firms have served the Corporation and its Shareholders, as well as Bell Canada as the then parent company of the group, in this capacity since 1881.

One or more representatives of Touche Ross & Co. will attend the Annual Meeting, will be given an opportunity to make a statement if they so wish and will be available to answer questions.

## Approval of the Long-Term Incentive (Stock Option) Program (1985)
*(See item 3 on proxy form)*

The Shareholders will be asked to consider and, if deemed advisable, to approve a Long-Term Incentive (Stock Option) Program (1985) of BCE (the "Plan").

*Plan Description*

Subject to the approval by the Shareholders at the Annual Meeting, BCE Officers and other key employees of BCE and of its subsidiaries will be eligible to participate in the Plan. The following is a summary of the Plan. For full particulars, reference should be made to the text of the Plan, which is set forth in Schedule A hereto.

The Plan provides for the granting to key employees of options ("Options") to purchase BCE common shares ("Shares") thereby encouraging them to obtain an increased proprietary interest in the enterprise and ensuring that the interests of executives are aligned with those of the Shareholders by relating longer term incentives to continued and sustained growth in shareholder value. The Plan is designed to assist BCE in attracting and retaining executives with experience and ability.

The Plan shall be generally administered by a committee (the "Committee") of three or more persons, all of whom are members of the Board of Directors of BCE and none of whom are employees of BCE or of its subsidiaries. No member of the Committee, while a member thereof, shall be eligible to participate in the Plan or in any other plan of BCE or of any of its subsidiaries providing for discretionary allocation of Shares nor shall have been eligible to so participate within the one-year period immediately prior to appointment to the Committee. Subject to confirmation by the Board of Directors, the Committee shall have authority to designate the key employees to whom the Committee recommends that Options shall be granted ("Optionees"), and the recommended number of Shares to be covered by each such grant. The Committee shall have full and complete authority to interpret the Plan, to prescribe such rules and regulations and to make such other determinations as it deems necessary or desirable for the administration of the Plan.

The subscription or exercise price payable by the Optionee for each Share covered by an Option granted under the Plan shall be established by the Committee at 100% of the market value (defined as being the average of the closing Share prices for a board lot of Shares on the Montreal and Toronto stock exchanges) of a Share on the last trading day prior to the date of the grant of each Option. As an example of the above, if Options had been granted as of the date of this Circular, the market value, as so defined, of a Share would have been (Cdn.) $37.13. Each Option shall be exercisable during a period (the "Option Period") established by the Committee which shall terminate not later than ten years after the date of the grant of the Option or earlier in the event of termination of employment due to retirement, death or other cause.

The Optionee shall pay the subscription price in full at the time of exercise of the Options, in cash, or, if permitted by the Committee in any particular case at or prior to the time of granting of an Option, in shares of BCE. Any shares so delivered in payment of the subscription price shall be valued at the market price on the exercise date. The right to exercise the Option in its entirety accrues over a period of four years, provided that the Optionee remains in the continuous employment of BCE or of any of its subsidiaries. No portion of the Option may be exercised during the first 12 months after the date of the grant of the Option.

Simultaneously with the granting of an Option, BCE, or the BCE subsidiary by which the Optionee is engaged, may undertake to grant a special compensation payment (an "SCP"), the amount of which shall be computed by reference to such number of Shares (the "Reference number of Shares") as may be recommended by the Committee and approved by the Board of Directors, but in any event not to exceed the number of Shares covered in the Option to which the SCP is related.

Each SCP related to an Option shall entitle the Optionee to receive from BCE on the exercise (in whole or in part) of the Option to which the SCP is related, in addition to the Shares being acquired through the exercise of the Option, either a cash payment equal to, or Shares the value of which is equal to, the product of two amounts: the first amount being the amount of the excess of the market value of the Share on the date of exercise of the Option to which the SCP is related over the market value of the Share on the date of the granting of the SCP; and the second amount being an amount equal to the lesser of: i) the number of Shares for which the Option to which the SCP is related is being exercised; and ii) the Reference number of Shares.

The exercise of an Option shall result in a reduction, on a one-for-one basis, in the Reference number of Shares of the SCP related to the Option.

By exercising an Option with which an SCP is associated, the Optionee shall be deemed to have elected to receive settlement of the SCP in cash, unless such Optionee otherwise notifies the Committee in writing. The Committee shall have

the sole discretion to consent to or to disapprove the election of the Optionee to receive cash or Shares in full or partial settlement of the SCP. Such consent or disapproval shall be given within 30 days of the date of exercise of the Option with which the SCP is associated.

On the exercise of an Option, BCE shall deliver to the Optionee (or to a financial institution selected by the Optionee in the case of Shares included in a Quebec stock savings plan) or, in the event of the death of the Optionee, to the Optionee's estate, certificates for such Shares registered in the name of the Optionee. If the Option exercised is associated with an SCP, upon the giving of the consent or disapproval referred to above, BCE, or the BCE subsidiary which granted the right to the SCP, shall issue a cheque or shall issue or cause to be issued certificates for Shares registered in the name of the Optionee representing the value of any SCP to which the Option is related. The Committee may decide to effect settlement of the SCP in cash on another date, but not later than March 31 of the year immediately following the year of exercise of the Option.

The aggregate number of Shares covered by Options that may be authorized for issue to all Optionees with respect to any year pursuant to the Plan, shall not, in any case, exceed 0.5% of the issued and outstanding Shares of BCE at the end of the immediately preceding year.

The Board of Directors of BCE may from time to time amend, suspend or terminate the Plan in whole or in part, provided however that it may not, without Shareholder approval, withdraw the administration of the Plan from Directors not eligible to be granted Options, materially increase the benefits accruing to participants, increase the number of Shares issuable to any or all participants, or materially modify the requirements as to eligibility.

*Tax Consequences*

The following explains in broad terms the tax consequences in Canada of the exercise of Options and SCPs payable in cash under current tax legislation. No attempt has been made to explain the consequences in other jurisdictions because of the number of countries and relatively few employees who might be involved.

Under the Income Tax Act (Canada) (the "Act"), the following tax results will occur, according to an opinion (the "Opinion") received by BCE from Revenue Canada, which opinion, in accordance with standard practice, is not binding upon Revenue Canada:

(I) the granting of an Option will not give rise to a taxable benefit to the employee;

(II) (a) if the Option is exercised by the employee, an amount equal to the excess of the value of the Shares at the time he acquires them over the amount paid or to be paid by him will be deemed a benefit to the employee;

(b) the employee will be, in effect, taxable in the year of exercise of an Option on one-half of the deemed benefit;

(c) the amount of the deemed benefit will be added to the adjusted cost base of the Shares acquired;

(d) the amount of deemed benefit will not result in a tax deduction for BCE.

(III) (a) if any SCP is to be paid in cash to the employee, it will be taxable to the employee only in the year of receipt and will be viewed as income from employment and subject to withholding at source;

(b) any additional remuneration so paid will not be eligible for addition to the adjusted cost base of the Shares acquired under an Option;

(c) BCE will have a deductible expense in respect of this additional remuneration but only in the year when the amount is determinable and the liability is incurred;

(d) the deductibility to BCE in accordance with (c) above will not be affected if payment to the employee is deferred until March 31 of the year following exercise.

The tax consequences described above are equally applicable under the tax laws of the various Canadian provinces except that, according to an opinion received by BCE from the Quebec Department of Revenue, under the Taxation Act (Quebec), Options exercised by residents of Quebec will be taxable on the full amount of the deemed benefit (as opposed to one-half).

Under the Taxation Act (Quebec) as in effect at the date of this Circular, Shares issued pursuant to the Plan to residents of Quebec should qualify for inclusion in a "stock savings plan" permitting the

deduction, within specified limits, of 50% of the subscription price of Shares purchased in any year, from the Optionee's taxable income for Quebec income tax purposes.

On February 27, 1985, Options were granted, subject to Shareholder approval of the Plan, to three of the Executive Officers named in the remuneration table on page 14 hereof, and to certain other Officers of BCE and other key employees, effective May 1, 1985. The number of Shares covered by the Options so granted is equal to the following dollar amounts divided by the market value (as defined) per Share at the close of business on April 30, 1985: Messrs. de Grandpré, $900,000, Richardson, $600,000, Spalding, $210,000; all Executive Officers as a group (including those previously named), $1,815,000; all Executive and other Officers as a group, $2,041,600; and all key employees as a group (including all Executive and other Officers), $2,344,000. The exercise price of the Shares covered by the Options so granted will be equal to 100% of the market value (as defined) per Share at the close of business on April 30, 1985. In addition, BCE has undertaken to pay an SCP to such individuals and the Reference number of Shares for each SCP is equal to the number of Shares covered by the Option to which the SCP is related.

To be approved, the Plan requires the affirmative vote of a majority of the votes cast.

BCE may file a registration statement with the U.S. Securities and Exchange Commission concerning the Shares issuable under the Plan depending on the circumstances, in particular the number of U.S. employees granted Options, and the state of the law at the time in question.

## Other Business

The Chairman will report on recent events of significance to the Corporation and on other matters of interest to the Shareholders and will invite questions and comments from the floor.

# Pertinent Information Concerning the Directors

### Board Attendance

There were twelve meetings of the Board of Directors held in 1984. All the incumbent Directors attended seventy-five percent or more of the aggregate of all Board meetings and of meetings held by all Committees of the Board on which they served, except Messrs. C.W. Daniel and E.N. McKelvey; also, Mr. E.B. Fitzgerald attended two of the three meetings of the Board held from the date of his appointment as a Director of the Corporation.

### Functions of Certain Committees

Standing Committees of the Board include the Management Resources and Compensation Committee and the Audit Committee.

The Management Resources and Compensation Committee, which met four times in 1984, consists of five Directors, none of whom is an Officer of the Corporation. Their responsibilities include the review of the qualifications of persons proposed for appointment or election to the Board and the submission of recommendations for Board consideration and decision. The Committee considers nominees recommended by Shareholders for appointment or election to the Board; such recommendations may be forwarded to the Corporate Secretary at the Corporation's principal executive offices. Compensation related responsibilities include conducting an annual review and the submission of recommendations for the consideration of the Board relating to Directors' and Officers' remuneration and administering the BCE Executive Compensation Policy.

The Audit Committee, which met seven times in 1984, consists of seven Directors, none of whom is an Officer of the Corporation. The Committee's responsibilities include the review of the Corporation's financial statements, review of the efficacy of the Corporation's internal accounting controls, advice on the selection and remuneration of the Corporation's Auditors and the furnishing to the Corporation of non-audit services by such Auditors and advice to the Board of Directors on the establishment of procedures to ensure compliance with the Corporation's code of ethical business conduct.

### Information Concerning Transactions with Interested Parties

During 1984, the Corporation and its subsidiaries, in addition to having had routine dealings as suppliers of services and equipment to various organizations with which Directors of the Corporation are affiliated as Executive Officers or ten percent shareholders, have had other transactions with or have purchased products or services of a number of such organizations, or their subsidiaries.

Based upon information received from the Corporation's Directors, it is believed that the amounts involved in the above transactions have in no case been material to, nor exceeded five percent of consolidated gross revenues of, either the Corporation or the organizations with which the Directors are affiliated, with the exception of the purchases by Bell Canada, a wholly-owned subsidiary of BCE, of telecommunications equipment from Northern Telecom Limited, the Corporation's 51.9 percent owned manufacturing subsidiary, with which one Director of the Corporation is affiliated as an Executive Officer.

With the exception of such sales by Northern Telecom Limited to Bell Canada and to BCE's other telephone subsidiary and associated companies which represent approximately 20 percent of Northern Telecom Limited's 1984 consolidated gross revenues, it is believed that the above mentioned dealings and transactions have not been material to, nor exceeded five percent of consolidated gross revenues of, such other organizations or to the individuals concerned. It is expected that the Corporation and its subsidiaries will continue to have similar dealings with such organizations in the future.

### Security Ownership of Management

As at the date of this Circular, Directors and Officers of the Corporation as a group beneficially owned in the aggregate less than 0.3 percent of any class of equity securities of the Corporation or its subsidiaries.

# Information Concerning Remuneration of Directors and Officers

The following table shows the aggregate direct remuneration paid in 1984 by the Corporation and its affiliates to all Directors of BCE, by groups, for services rendered as Directors and to all Officers of BCE, by groups, for services rendered as Officers. In the data which follow, the names of affiliates have been abbreviated as indicated in brackets: Bell Canada (Bell), Northern Telecom Limited (NTL) and Ronalds-Federated Limited (Ronalds).

**Directors' and Officers' Remuneration from BCE and its Affiliates**

| Nature of Remuneration Earned | Directors' fees | Salaries | Bonuses | Others (note 2) | Total |
|---|---|---|---|---|---|
| **Remuneration of Directors** | | | | | |
| (A) Number of Directors: 22 | | | | | |
| (B) Body Corporate incurring the expense: | | | | | |
| BCE | $444,000 | | | | $ 444,000 |
| Bell | 208,000 | | | | 208,000 |
| NTL | 267,000 | | | | 267,000 |
| Ronalds | 16,000 | | | | 16,000 |
| **Remuneration of Officers** | | | | | |
| (A) Number of Officers: 9 | | | | | |
| (B) Body Corporate incurring the expense: | | | | | |
| BCE | | $1,824,000 | $293,000 (note 1) | $103,000 | 2,220,000 |
| Bell | | 283,000 | 7,000 | 4,000 | 294,000 |
| **Totals** | $935,000 | $2,107,000 | $300,000 | $107,000 | $3,449,000 |

Note 1: Represents bonuses awarded for the year 1984 under the BCE annual short-term incentive policy (see page 16) whether or not payment has been deferred in whole or in part.

Note 2: Includes benefits relating to the Employees' Savings Plan (1970); car allowance benefits; life insurance; health insurance; and relocation assistance. There were no non-accountable expense allowances.

Note 3: The cost to BCE and its subsidiaries in 1984 of contributions for pension or retirement benefits upon retirement at normal retirement age to BCE Directors and Officers, individually or as a group, is not individually calculated by the Corporation's actuaries. For an illustration of the estimated annual pension benefits payable upon retirement on January 1, 1985 at age 65 to persons in specified earnings and service classifications under the BCE Pension Plan, see page 15. No pension benefits are proposed to be paid under the above Plan by BCE to any Director except in respect of full-time services as an Officer.

Note 4: The amount determined for 1984 by the Board of Directors of BCE in respect of a contractual retirement allowance arrangement of one Officer, is described on page 15.

The following table shows the aggregate cash compensation for services in all capacities to the Corporation and its affiliates for the total year 1984 for each of the five most highly compensated Executive Officers of the Corporation and for all Executive Officers of the Corporation as a group.

| Name of individual or number of persons in group | Capacities in which served (1) | Cash compensation (2) |
|---|---|---|
| A.J. de Grandpré | Chairman of the Board and Chief Executive Officer of BCE | $ 853,000 |
| R.J. Richardson | President of BCE (3) | 430,000 |
| J.S. Spalding | Executive Vice-President, Finance, of BCE | 273,000 |
| W.F. Light | Chairman of the Board and Chief Executive Officer of NTL | 926,000 |
| J.C. Thackray | Chairman of the Board and Chief Executive Officer of Bell | 396,000 |
| All Executive Officers as a group (9 persons including the persons listed above) | | $3,633,000 |

(1) Messrs. Light and Thackray are not Officers of BCE. Under U.S. securities laws, their inclusion in the above table is nevertheless considered appropriate. No amounts are included for the periods in 1984 subsequent to the resignations of Messrs. Light and Thackray from the Board of Directors of BCE.

(2) Cash compensation includes bonuses awarded for the year 1984 under the BCE annual short-term incentive policy (see page 16) whether or not payment has been deferred in whole or in part, BCE's contributions under the Employees' Savings Plan (1970) and relocation assistance.

(3) Mr. Richardson became President of BCE on May 8, 1984.

(4) Certain non-cash compensation benefits to the individuals in the above table have not been included on the basis that they constitute less than $25,000 per individual.

(5) As an example of the impact of taxation rates on various gross salary levels, the following table shows the personal income taxes and the resulting after-tax income from salary, in respect of the year 1984, for an employee who has no other source of income, who makes no contribution to a pension fund, registered retirement savings plan or Quebec stock savings plan, and who has no dependents other than a spouse who has no income.

| | Quebec Resident | | Ontario Resident | |
|---|---|---|---|---|
| Gross Salary | Federal & Quebec Income Taxes | Net — after tax | Federal & Ontario Income Taxes | Net — after tax |
| $900,000 | $529,300 | $370,700 | $447,500 | $452,500 |
| 800,000 | 468,900 | 331,100 | 396,364 | 403,636 |
| 700,000 | 408,500 | 291,500 | 345,228 | 354,772 |
| 600,000 | 348,100 | 251,900 | 294,092 | 305,908 |
| 500,000 | 287,700 | 212,300 | 242,956 | 257,044 |
| 400,000 | 227,300 | 172,700 | 191,820 | 208,180 |
| 300,000 | 166,900 | 133,100 | 140,684 | 159,316 |
| 200,000 | 106,500 | 93,500 | 89,548 | 110,452 |
| 100,000 | 46,100 | 53,900 | 38,412 | 61,588 |

**Remuneration Plans in which BCE Officers Participate**

BCE Directors who are also Officers of BCE and all other BCE Officers participate in the Corporation's non-contributory defined benefit plan (the "Pension Plan"). In addition, supplementary executive retirement agreements ("Supplementary Agreements") which are described more fully in d. below, are entered into between BCE and each Officer. The following describes the pensions payable to Officers under the Corporation's Pension Plan, as supplemented by the Supplementary Agreements:

a. pensions are based on pensionable service and the average of the best consecutive thirty-six months of pensionable earnings;

b. pensionable earnings include regular salary, bonuses awarded under the BCE Executive Compensation Policy, as well as amounts determined by the Board for one Officer under the contractual retirement allowance arrangement referred to elsewhere on this page;

c. the following table shows estimated annual pension benefits, expressed in each case as a percentage of the average of the best consecutive thirty-six months of pensionable earnings (the "Base"), payable upon retirement on January 1, 1985 at age 65 to Officers in specified earnings and service classifications:

| Base | Credited service (Years) | | | |
|---|---|---|---|---|
| | 20 | 30 | 40 | 50 |
| $200,000 | 28.6% | 43.6% | 58.6% | 70.0% |
| 300,000 | 29.0 | 44.0 | 59.0 | 70.0 |
| 400,000 | 29.3 | 44.3 | 59.3 | 70.0 |
| 500,000 | 29.4 | 44.4 | 59.4 | 70.0 |
| 600,000 | 29.5 | 44.5 | 59.5 | 70.0 |
| 700,000 | 29.6 | 44.6 | 59.6 | 70.0 |
| 800,000 | 29.6 | 44.6 | 59.6 | 70.0 |

Benefits shown above are not subject to any deductions or offsets thereunder;

d. under the Supplementary Agreements, each Officer is credited with an additional 0.5 year of pensionable service for each year of service as an Officer of the Corporation and the pension is calculated on the basis of the best consecutive thirty-six months of pensionable earnings, as opposed to the best five years under the Pension Plan. In no case may an Officer receive in the aggregate under the Pension Plan and the Supplementary Agreements an annual pension benefit in excess of 70 percent of the Base. In addition, upon retirement, an Officer is entitled to a payment under the Supplementary Agreements equal to the Officer's annual salary. This amount is not included in computing the Officer's pension benefits;

e. in addition to the pension credits referred to in d. above, i) under the terms of Mr. Richardson's employment with BCE, on each anniversary date of his employment, to a maximum of five such anniversaries, Mr. Richardson is credited with five additional years of service, provided, however, that the total service thus credited (excluding the years of service credited as an Officer of BCE) is limited to twenty-five years; and ii) under the terms of an agreement between Mr. Spalding and BCE, Mr. Spalding is credited, as of January 1, 1985, with one additional year of service for each year with BCE, in addition to the other credits for service to which he is entitled as an Officer of BCE. The Executive Officers of BCE, Messrs. de Grandpré, Richardson, Spalding and G.E. Inns had credited service of 52 years, less than one year, 17 years and 45 years, respectively, and pensionable earnings of $930,000, $359,420, $230,000 and $231,667, respectively, as at December 31, 1984;

f. in 1984, BCE's contributions to the Pension Plan amounted to 8.2 percent of the total pensionable earnings of all plan participants. No amounts are contributed or charged to the Pension Plan with respect to the portions of the benefits reflected in the foregoing table, which are payable pursuant to the Supplementary Agreements, including the portions, if any, which are in excess of the maximum registered pension plan benefits established from time to time by Revenue Canada.

BCE has established a contractual retirement allowance arrangement with one of its Executive Officers, Mr. de Grandpré. The Board may, pursuant to such arrangement, determine from time to time amounts in respect of such Officer. The cumulative balance pursuant to the arrangement is automatically increased annually by an amount equal to the product of the cumulative balance multiplied by an adjustment factor equal to a percentage rate of interest computed in prescribed fashion. The Officer, subsequent to retirement, as defined under the arrangement (or his beneficiary if he dies prior to retirement), is entitled to receive the cumulative balance as retirement allowance payments. Mr. de Grandpré also has a similar contractual retirement allowance arrangement with Bell Canada established at a time when he was an Officer of Bell Canada. The adjustment factor in 1984 with respect to such arrangements was 12.04 percent. An amount of $330,000 was determined for 1984 by the Board of Directors of BCE under

the contractual retirement allowance arrangement between BCE and Mr. de Grandpré. Adjustment amounts and amounts determined under the contractual retirement allowance arrangement are not included in the tables on pages 13 and 14. During the past five years, the aggregate amounts determined by Bell Canada and BCE under the contractual retirement allowance arrangements with Mr. de Grandpré were: $110,000 in 1980; $150,000 in 1981; $180,000 in 1982; $290,000 in 1983 and $330,000 in 1984.

BCE adopted, effective for the year 1984, an Executive Compensation Policy which includes an annual (short term) incentives portion under which annual bonus awards may be granted to Officers and other key employees of BCE determined by the Management Resources and Compensation Committee of the BCE Board of Directors. The policy provides for the deferral of all or part of any annual awards. The cumulative balance in any employee's account is automatically increased semi-annually by an adjustment factor equal to the prevailing five-year guaranteed interest certificate interest rate; since the Policy only became effective for the year 1984, no adjustment factor has yet been in effect. Upon termination of employment, the cumulative balance is paid into a trusteed employee benefit plan and paid out over a period, not to exceed 10 years, selected by the employee, to the employee (or, in the event of death, to his beneficiary). Awards under the policy are included in the tables on pages 13 and 14, whether or not deferred, as described above, but no amounts are included with respect to adjustment amounts or with respect to any income earned in the trusteed plan subsequent to termination of employment. In 1984, an amount of $293,000 was awarded to all BCE Officers under the Policy, including amounts of $100,000, $75,000 and $35,000 awarded to Messrs. Richardson, Spalding and Inns, respectively.

Eligible BCE employees, including BCE Officers, who were enrolled in the predecessor Bell Canada Employees' Savings Plan, as in effect from July 1, 1966 to June 30, 1970, are entitled to assign dividends from shares acquired under the successor BCE Employees' Savings Plan (1966) (or former plans) towards the purchase of Common Shares of the Corporation at 85 percent of the lesser of the average market price during the three-month period prior to the commencement of the payment period or during the last three months of the payment period. The net value of the 1,372 BCE Common Shares (market value less issue price of $22.83 per share) issued to all Executive Officers referred to in the table on page 14 and to Messrs. de Grandpré, Inns and Light was $10,695, $4,046, $1,559 and $5,090 respectively during 1984 under this plan. In the four preceding years, the dollar benefit received by Messrs. de Grandpré, Light and Inns and by all current Officers of BCE under such plan was as follows:
Mr. de Grandpré, $1,314 in 1980, $1,362 in 1981, $1,702 in 1982, $6,200 in 1983; Mr. Light, $1,543 in 1980, $1,541 in 1981, $1,334 in 1982, $7,665 in 1983; Mr. Inns, $556 in 1980, $573 in 1981, $320 in 1982, $1,639 in 1983; and all BCE Officers, $1,870 in 1980, $1,935 in 1981, $2,022 in 1982, $7,839 in 1983.

The BCE Employees' Savings Plan (1966) has been withdrawn effective June 30, 1985, at which time it shall cease to apply to employees or former employees.

Under the BCE Employees' Savings Plan (1970) (which is not an option to purchase securities), BCE employees, including BCE Officers, are eligible to make a basic contribution of 2%, 4% or 6% of their basic wages with provision for an additional 2% or 4% supplementary contribution. BCE contributes to the plan at the rate of $1 for every $3 of an employee's basic contribution. The National Victoria and Grey Trust Company, as trustee, purchases Common Shares on the open market throughout each month of the plan year; these Common Shares are distributed to participants following the end of each plan year (every second year in the case of Officers), which coincides with the calendar year. Alternatively, plan funds held on behalf of participating Officers so electing are invested by the plan trustee in short term debt instruments of the plan trustee and/or are invested in the open market by investment dealers selected by such Officers in shares of any company in accordance with the instructions of such Officers; these investments may be distributed to the Officers upon their instructions at any time following the end of the plan year. During the past five years, Messrs. de Grandpré, Richardson, Spalding and Inns and all current BCE Officers benefited from company contributions under the plan in the following amounts: Mr. de Grandpré, $6,083 in 1980, $7,125 in 1981, $8,500 in 1982, $9,000 in 1983, $12,000 in 1984; Mr. Richardson, $5,188 in 1984; Mr. Spalding, $1,697 in 1980, $1,907 in 1981, $2,200 in 1982, $2,588 in 1983, $3,100 in 1984; Mr. Inns, $2,633 in 1980, $3,033 in 1981, $3,400 in 1982, $3,715 in 1983, $3,933 in 1984; and all BCE Officers as a group, $13,095 in 1980, $15,268 in 1981, $17,558 in 1982, $19,505 in 1983 and $21,582 in 1984.

BCE Officers participate in the Corporation's comprehensive medical expense, dental and vision

plans available to all BCE employees and in a supplementary health plan for BCE Officers only. Premiums paid on behalf of Officers in connection with the latter plan are reflected in the remuneration table contained on page 13.

In February of 1984, Mr. Orland Tropea retired as an Executive Officer of BCE. Upon his retirement, Mr. Tropea was retained by BCE under a consultant agreement effective from March 1 to May 30, 1984, which, to date, has been renewed for three consecutive three-month periods. Under such agreement, Mr. Tropea received from BCE in 1984 an amount of $140,834.

**Remuneration Arrangements of Directors**

Each Director who is not a salaried Officer of BCE is entitled to be paid $10,000 per annum for his services as a Director, $2,500 per annum per Committee for his services as a member of any Standing Committee of the Board and $2,000 per annum for his services as Chairman of any Standing Committee of the Board. In all cases, the Directors are entitled to an attendance fee of $750 per meeting and the reimbursement of their expenses. Additional special remuneration may be paid to a Director undertaking any special services beyond those ordinarily required of a Director by the Corporation.

**Northern Telecom Limited Remuneration Plans**

Mr. de Grandpré and Mr. Light both have special pension and retirement plans with NTL. In 1982, in recognition of his outstanding services rendered to NTL, and in particular as Chairman of its Board and of the Executive Committee thereof, Mr. de Grandpré entered into an agreement with NTL establishing a special pension and retirement plan; an amount of $500,000 was expensed by NTL for financial reporting purposes in 1982 to fund the benefits payable under such plan. The agreement will provide Mr. de Grandpré at age 65 with a monthly pension and retirement allowance in the basic amount of $8,917 for life, guaranteed ten years; in case of death before age 65, a lump sum equal to the actuarial equivalent of the allowance will be paid to his estate.

Mr. Light has an agreement with NTL establishing a special pension and retirement plan. This agreement will provide Mr. Light, based upon his retirement at age 67, with a monthly pension and retirement allowance in a basic amount of (U.S.) $1,000 for the period commencing March 31, 1989 through and including February 28, 1990 and (U.S.) $7,060 and (Cdn.) $27,370 commencing March 31, 1990 for life, guaranteed ten years, subject to an appropriate actuarial adjustment for earlier retirement. In case of death before retirement, an actuarially-reduced allowance will be paid to his estate. The agreement also provides that the Board of Directors of NTL may in its discretion from time to time in the future increase the amount of the monthly pension and retirement allowance commencing March 31, 1990. The agreement contains no limitations on the additional amounts that may be so awarded. Of the monthly pension retirement allowance of (Cdn.) $27,370 referred to above, the following represents the portions attributable to the amounts granted during the past five years: $7,910 in 1981, $5,681 in 1982 and $4,890 in 1983.

Payments under both agreements are subject to Messrs. de Grandpré and Light satisfying non-competition and certain other conditions.

Mr. Light, as an Officer of NTL, participates in NTL's non-contributory managerial and non-negotiated pension plan which provides for pension benefits based on service and the average annual earnings of the best three consecutive years. The following table shows the estimated total annual retirement benefits expressed (after giving effect to the additional earnings and years of service described below) in each case as a percentage of the average earnings of the best three consecutive years, as of January 1, 1985 and payable to the persons in the following service categories:

| Service (Years) | Percentage |
|---|---|
| 30 | 39 |
| 40 | 52 |

The percentages in the preceding table reflect the payment of benefits in excess of the maximum established by Revenue Canada for registered pension plans, which excess will be paid by NTL as a supplement.

Under a supplemental arrangement available to Officers of NTL, Mr. Light is entitled to include in the computation of his total annual retirement benefits, the following additional earnings and years of service: (i) one year of service and related earnings pursuant to a leave of absence prior to pension which must be taken prior to reaching age 65 and (ii) all the amounts awarded as short-term incentive awards under the NTL Senior Management Incentive Award Plan or all of the principal sum allocated to his special pension and retirement plan for the best three consecutive years of earnings (which for this purpose include amounts referred to in (ii) above). Mr. Light had credited service with NTL of 35 years as at

January 1, 1985; his pensionable earnings as at the same date were, after giving effect to the supplemental plan, $859,900. In no event, however, will this special retirement benefit exceed 70% of his final 12 months' base salary prior to retirement.

As a senior Officer of NTL, Mr. Light participates in the Senior Management Incentive Award Plan pursuant to which short-term and long-term incentive awards are payable at the end of each performance period, as defined under the plan, unless deferred. The total awards to Mr. Light under this plan during the past five years are as follows: $125,000 for 1981, $100,000 for 1982, $400,000 for 1983 and $609,500 for 1984.

In addition, Mr. Light participates in the Northern Telecom Investment Plan for Employees — Canada under which NTL generally contributes $1 for every $2 of an employee's basic contribution. These contributions are invested in newly-issued NTL shares or in other securities. NTL contributions with respect to Mr. Light under this plan since its establishment are as follows: $3,308 for 1981, $13,238 for 1982, $14,250 for 1983 and $15,750 for 1984.

Effective October 1, 1984, Mr. Edmund B. Fitzgerald, President of NTL, became also Chief Executive Officer of NTL and a Director of BCE. Mr. Fitzgerald participates in the NTL Senior Management Incentive Award Plan, as well as in the Northern Telecom Inc. Employee Thrift/Savings Plan, a plan similar to the NTL Investment Plan for Employees—Canada. In addition, in January 1984, Mr. Fitzgerald entered into an agreement with NTL providing for the payment of a special retirement benefit in lieu of any other benefit or pension payable pursuant to the regular NTL pension plan, the Northern Telecom Inc. retirement plan or to the supplemental arrangement for Northern Telecom Officers described above. The special retirement benefit is based on Mr. Fitzgerald's years of actual service and years of additional service as defined in the agreement ("Additional Service"), the average annual earnings of his best three consecutive years ("Final Average Remuneration") and the benefit formula contained in the pension plan at the time of his retirement. As of January 1, 1985, Mr. Fitzgerald had 4 years and 8 months of actual service and 19 years and 3 months of Additional Service. The agreement also provides that the computation of his Final Average Remuneration will be based on his salary and all of the amounts awarded to him as short-term incentive awards under the Incentive Plan for his best three consecutive years of service. As of January 1, 1985, the special retirement benefit which would be payable to Mr. Fitzgerald under the agreement if he retired at age 65 would be approximately 39% of his Final Average Remuneration. As of January 1, 1985, Mr. Fitzgerald's Final Remuneration was $650,900. In no event, however, will this special retirement benefit exceed 70% of his final 12 months' base salary prior to retirement. The special retirement benefit will be paid in equal monthly instalments upon retirement, commencing on the first day of the month following his retirement and ending in the month of his death, subject to certain survivor income benefits. The special retirement benefit does not constitute a charge against the regular NTL pension plan or Northern Telecom Inc. retirement plan.

Each Director of NTL who is not a salaried Officer of NTL or of any of its subsidiaries, who is not entitled to any other pension or other retirement allowance under a plan or arrangement established by NTL or any of its subsidiaries and who ceased to hold office on or after April 1, 1984, is entitled to annual retirement compensation by NTL at the rate of 75% of the Board retainer payable when such Director ceased to hold office as such, plus indexed compensation at the rate of 56.25% of any increment in the Board retainer fee payable from time to time by NTL over the amount of the Board retainer serving for the computation of the Directors' base retirement compensation, which shall be payable during his lifetime for a period equal to the duration of such Director's tenure as a member of the Board of Directors or ten years, whichever is less.

Since April 1, 1984, NTL has maintained, at its expense, group life insurance for each individual who then was, or thereafter holds office as, a Director of NTL and who neither was nor is a salaried employee of NTL or of any of its subsidiaries, in an amount of $100,000 while such individual is a Director and an amount of $75,000 thereafter.

**Bell Canada Remuneration Plans**

Mr. Thackray, as an Officer of Bell Canada, participated in Bell Canada's non-contributory defined benefit plan (in 1984, Mr. Thackray's pensionable earnings were $465,000 and he had credited service of 49 years), including a supplemental plan providing for an additional 0.5 year of pensionable service for each year of service, in a contractual retirement allowance arrangement established for him by Bell Canada, in the Bell Canada Employees' Savings Plan

(1970), in Bell Canada's medical, dental and vision plans and in a supplementary health plan for Bell Canada Officers only. All such plans are substantially similar to the corresponding BCE plans described on pages 15, 16 and 17.
Mr. Thackray retired as an Officer of Bell Canada effective January 5, 1985 and Mr. Tropea retired as an Officer of Bell Canada in February of 1984. Both received upon retirement an amount equal to one year's salary, at their salary rate in effect at time of retirement, pursuant to supplementary executive retirement agreements which Bell Canada has entered into with its Officers.

On October 1, 1984, Mr. J.V.R. Cyr, President of Bell Canada, became also Chief Executive Officer of Bell Canada and a Director of BCE. Mr. Cyr participates in the regular Bell Canada pension plan (with pensionable earnings of $404,167 and credited service of 33 years as at December 31, 1984), and, except for the contractual retirement allowance arrangement, in the various other Bell Canada plans described in this section, in which Mr. Thackray participated.

**TransCanada PipeLines Limited Key Employee Stock Incentive Plan**

The TCPL Key Employee Stock Incentive Plan provides for the sale by TCPL to a Trustee (Montreal Trust Company of Canada) of treasury common shares of TCPL to be immediately resold at the same price to key employees selected for participation in the plan. The Trustee purchases the shares with an interest-free loan from TCPL. The employees pay the Trustee for the shares (without interest) over a period not exceeding ten years and are only permitted to prepay the purchase price at certain intervals, thus providing an incentive for continued employment. During the period in which the purchase price is unpaid, the shares are held as security for the payment thereof. In 1984, 22,000 common shares were issued under this plan to Mr. Latimer, an Officer and Director of TCPL, for a consideration of $361,350.

As at the date hereof, Mr. Latimer was indebted in respect of an interest-free loan for purchases of common shares of TCPL under the Key Employee Stock Incentive Plan. The largest aggregate amount of such indebtedness since January 1, 1984 and the balance as at the date hereof was $2,304,300.

## Liability Insurance

Group liability insurance in the amount of $100,000,000 is purchased at the Corporation's expense for the protection of all the Directors and Officers of the Corporation against liability incurred by them in their capacities as Directors and Officers of the Corporation and subsidiary or associated companies. There is no sub-limit specified for any individual covered thereunder. In 1984, the amount charged against income by the Corporation on a pro-rated basis in respect of the Directors of the Corporation as a group was $9,423 and in respect of the Officers of the Corporation as a group was $4,188. In any case in which the Corporation is not permitted by law to reimburse the insured, the deductible is nil. Where the Corporation is permitted to reimburse the insured, the deductible is $100,000.

## Other Information

**Ownership of BCE Shares**

As of the date of this Circular, Directors and Officers of the Corporation as a group beneficially owned in the aggregate 90,304 Common Shares and 3,850 First Preferred Shares of the Corporation. To the knowledge of the Corporation, no person beneficially owns over five percent of its Common Shares or of its First Preferred Shares. Bell Canada, a wholly-owned subsidiary of BCE, owns 3,037,427 Second Preferred Shares, representing 100% of the outstanding shares of such class, and, under applicable corporate legislation, cannot exercise the voting rights attached to such shares.

## Schedule A

### Bell Canada Enterprises Inc. Long-Term Incentive (Stock Option) Program (1985)

**1. Purposes of the Plan**

The purposes of the Long-Term Incentive (Stock Option) Program (1985) of Bell Canada Enterprises Inc. (the "Plan") are (i) to grant to key employees of Bell Canada Enterprises Inc. ("BCE" or the "Corporation") and of its subsidiaries options ("Options") to purchase common shares ("Shares") of the Corporation thereby encouraging them to obtain an increased proprietary interest in the enterprise and providing an additional incentive to further its growth and development and (ii) to assist the Corporation in attracting and retaining executives with experience and ability.

**2. Administration**

Subject to sections 3 and 4 below, the Plan shall be administered by a committee (the "Committee") of three or more persons, all of whom are members of the Board of Directors of the Corporation and none of whom are employees of the Corporation or its subsidiaries. No member of the Committee, while a member thereof, shall be eligible to participate in the Plan or in any other plan of the Corporation or any of its subsidiaries providing for discretionary allocation of shares nor shall have been eligible to so participate within the one-year period immediately prior to appointment to the Committee. The Committee shall have full and complete authority to interpret the Plan, to prescribe such rules and regulations (including those with respect to the holding of meetings by telephone) and to make such other determinations as it deems necessary or desirable for the administration of the Plan. A majority of the Committee shall constitute a quorum. Acts approved in writing by all members shall be valid acts of the Committee.

No Director shall participate in or vote upon any resolution of the Board of Directors to confirm a recommendation of the Committee which requires Board confirmation if, at that time, the Director is eligible to participate in the Plan or in any other plan of the Corporation or any of its subsidiaries providing for discretionary allocation of shares nor shall have been eligible to so participate within one year of the relevant time.

**3. Shares Subject to the Plan**

The Board of Directors of the Corporation shall authorize from time to time the issue of such number of Shares of the Corporation pursuant to the Plan as may be necessary to permit the Corporation to meet its obligations under the Plan. Subject to any adjustment provided for in section 11, the aggregate number of Shares covered by Options granted to Optionees (as hereinafter defined), with respect to any year, pursuant to the Plan shall not, in any case, ever exceed one-half of one percent (0.5%) of the issued and outstanding common shares of the Corporation as at the end of the immediately preceding year.

**4. Grant of Options**

Subject to confirmation by the Board of Directors, the Committee shall from time to time choose from among key employees those employees ("Optionees") to whom it recommends that Options should be granted and the number of shares which it recommends be covered by each such grant. The date of confirmation by the Board of Directors of the grant of an Option is hereinafter referred to as the effective date ("Effective Date"). At the time of the grant of an Option, BCE, or the BCE subsidiary by whom the Optionee is employed, may grant rights to a special compensation payment (an "SCP"), the amount of which shall be computed by reference to such number of Shares (hereinafter the "Reference number of Shares") as may be recommended by the Committee and confirmed by the Board of Directors, but in any event not to exceed the number of Shares covered in the Option to which the SCP is related. Each Option and SCP shall be confirmed by an instrument in writing issued by the Corporation to the Optionee. Any Optionee, at the time of granting of an Option, may hold more than one Option.

**5. Subscription Price**

The subscription price for each Share covered by an Option shall be established by the Committee at 100% of the market value (as hereinafter defined) of a Share on the last trading day prior to the Effective Date.

**6. Option Period**

Each Option shall be exercisable by the Optionee during a period ("Option Period") established by

the Committee which shall terminate not later than ten years after the Effective Date, and also provided that:

6.1 each Option granted under the Plan shall require the Optionee granted such Option to remain in the continuous employment of the Corporation or of any subsidiary for at least 12 months from the Effective Date before the right to exercise shall accrue;

6.2 an Option may not be exercised during the first 12 months following the Effective Date, and thereafter may not be exercised if, as a result, the number of Shares issued up to that time upon exercise of the Option would exceed i) 25% of the total number of Shares covered by the Option in the event of exercise during the first 24 months following the Effective Date of the Option; ii) 50% in the event of exercise during the first 36 months; and iii) 75% in the event of exercise during the first 48 months. The right to exercise an Option shall be considered to accrue by such 25% increments, but only provided that the Optionee remains in the continuous employment of the Corporation or any subsidiary during the successive 12-month periods. The right to exercise 25%, 50%, 75% and 100% of an Option will therefore accrue on the first day following the completion of the periods of 12, 24, 36 and 48 consecutive months, respectively, of continuous employment after the Effective Date of the Option;

6.3 in the event of the death of the Optionee while in the employment of the Corporation or any subsidiary, the Option Period for Options outstanding at the time of death for which the right to exercise had accrued shall terminate 12 months after the date of death (but not after the termination date of the Option first established by the Committee), and the Optionee's estate shall have the right prior to such termination to exercise the Options at any time with respect to all or, from time to time, with respect to any part of the Shares which the Optionee had not exercised pursuant to such Options. With the consent of the Committee, Options for which the right to exercise had not yet accrued may also be similarly exercised by the Optionee's estate;

6.4 if an Optionee's employment terminates because of retirement, the Option Period for Options then outstanding (whether or not the right to exercise has accrued) shall terminate 12 months after the date of retirement or such longer period as the Committee may fix (but not after the termination date of the Option first established by the Committee) and the Optionee (or the Optionee's estate in the event of death after retirement) shall have the right prior to such termination (but not prior to 12 months after the Effective Date) to exercise the Options with respect to all or, from time to time, with respect to any part of the Shares which the Optionee had not exercised pursuant to such Options to the same extent as if the Optionee were still in the employment of the Corporation; and

6.5 if an Optionee's employment terminates for any cause other than death or retirement, the Option Period for Options then outstanding shall terminate on the date of termination of employment or such later date as the Committee may fix (but not after the termination date of the Option first established by the Committee). The Committee may permit the exercise of an Option even though the right to exercise had not accrued as of the date of termination.

All rights under an Option unexercised at the termination of the Option Period shall be forfeited.

**7. Exercise of Option**

An Option may only be exercised in the manner prescribed by the Committee in whole at any time, or in part from time to time, during the Option Period; the Committee may also determine at the time of the granting of an Option to only permit exercise at certain times (in lieu of, or in addition to, the provisions of section 6.2) during the Option Period. The subscription price for Shares shall be paid in full in cash at the time of exercise of the Option or, if permitted by the Committee in any particular case at or prior to the time of granting of an Option, in shares of the Corporation. The value of each share used for payment shall be the market value on the date of exercise.

Any exercise by an Optionee who is an Officer or Director of BCE of an Option to which an SCP is connected shall be made only during the period commencing on the third business day and ending on the twelfth business day following the date of the release of a quarterly or annual statement of sales and earnings of the Corporation or during such other period as the Committee may determine.

**8. Special Compensation Payment**

As provided above, certain Options granted under

the Plan may have a related SCP. Subject to the consent of the Committee, the SCP shall be payable upon the exercise thereof, in cash or in Shares, at the election of the Optionee. Upon the exercise of an Option with which an SCP is associated, the Optionee shall be deemed to have elected to receive a cash payment, unless such Optionee gives notice in writing of his election to receive Shares in settlement of his rights to the SCP. The Committee shall have the sole discretion to consent to or to disapprove the election of the Optionee to receive cash or Shares in full or partial settlement of the SCP. Such consent or disapproval shall be taken, and the Optionee so notified, within 30 days of the exercise of the Option with which the SCP is associated.

The cash payment or the market value of the Shares to be received in settlement of an SCP shall be an amount equal to the excess of the market value of the Shares on the date of exercise of the Option to which the SCP is related over the market value of the Shares on the date of the granting of the SCP multiplied by the lesser of i) the number of Shares for which the Option to which the SCP is related is being exercised; or ii) the current Reference number of Shares applicable to the SCP. The exercise of an Option shall result in a reduction, on a one-for-one basis, in the Reference number of Shares of the SCP, if any, related to the Option.

Each SCP shall be subject to the same terms and conditions as the Option to which it is related.

In the event that during the Option Period of an Option to which an SCP is related, but prior to the exercise of the Option, the Optionee is employed by BCE and by one or more BCE subsidiaries, or by two or more BCE subsidiaries, the corporation which gave the undertaking to pay the SCP may request reimbursement from each such subsequent employer of the Optionee of an amount equal to that portion of the SCP ultimately paid to the Optionee which is reasonably attributable to the portion of the Optionee's employment during such period.

**9. Delivery of Share Certificates and Cheques**

On the exercise of an Option, the Corporation shall deliver to the Optionee or, in the event of death of the Optionee, to the Optionee's estate, certificates for the resulting Shares registered in the name of the Optionee. If the Option exercised is associated with an SCP, upon the giving of the consent referred to in paragraph 8, BCE, or the BCE subsidiary which granted the right to the SCP, shall issue a cheque or shall issue or cause to be issued certificates for Shares registered in the name of the Optionee representing the value of any SCP to which the Option is related. The Committee may decide to effect settlement of the SCP payable in cash on another date, but in any event not later than March 31 of the year immediately following the year of exercise of the Option. Certificates for Shares which the Optionee elects to include in a Quebec stock savings plan shall be registered in the name of the Optionee and delivered to a broker or other financial institution eligible to administer a Quebec stock savings plan selected by the Optionee.

**10. Non-assignable**

No Option or SCP or any interest therein shall be assignable by the Optionee otherwise than by will or the laws governing the devolution of property in the event of death. During the lifetime of the Optionee the Option or SCP shall be exercisable only by the Optionee or the Optionee's legal representative.

**11. Effects of Alteration of Share Capital**

In the event that a dividend shall be declared upon the common shares of the Corporation payable in Shares of the Corporation (other than pursuant to the Corporation's Optional Stock Dividend Program), the number of Shares then subject to any such Option, the number of Shares authorized for issuance pursuant to the Plan but not yet covered by an Option and the maximum number of Shares issuable with respect to any year shall be adjusted by adding to each such Share the number of Shares which would be distributable thereon if such Share had been outstanding on the date fixed for determining the shareholders entitled to receive such stock dividend.

In the event that the outstanding Shares of the Corporation shall be changed into or exchanged for a different number or kind of securities of the Corporation or of another corporation, whether through an arrangement, amalgamation or other similar statutory procedure, or a share recapitalization, subdivision or consolidation, then there shall be substituted for each Share subject to any such Option, for each Share authorized for issuance pursuant to the Plan but not yet covered by an Option and the maximum number of Shares issuable with respect to any year, the number and kind of securities into which each outstanding Share shall be so changed or for which each such Share shall be exchanged.

In the event there shall be any change, other than as specified above in this section, in the number or kind of outstanding Shares of the Corporation or of

any securities into which such Shares shall have been changed or for which it shall have been exchanged, then an equitable adjustment shall be made in the number or kind of Shares theretofore authorized for issuance pursuant to the Plan but not yet covered by an Option, of the Shares then subject to an Option or Options, and in the maximum number of Shares issuable with respect to any year, such adjustment to be reasonably determined by the Committee and to be effective and binding for all purposes.

In the case of any such substitution or adjustment as provided for in this section, the Option price in each Share Option agreement for each Share covered thereby prior to such substitution or adjustment will be proportionately and appropriately varied. Such variation shall generally require that the number of securities covered by the Option after the relevant event multiplied by the revised Option price shall equal the number of Shares covered by the Option prior to the relevant event multiplied by the original Option price. No adjustment or substitution provided for in this section shall require the Corporation in any Share Option agreement to issue a fractional Share and the total substitution or adjustment with respect to each Share Option agreement shall be limited accordingly.

Any adjustment or substitution required by this section with respect to the terms of an Option shall also require a similar modification with respect to the terms of any SCP to which the Option is related.

In the event that, at time of exercise of an Option, there is no public market for the Shares of the Corporation or for securities substituted therefor as provided by this section, the obligations under the Option and under any SCP related to the Option shall be met by a payment in cash in such amount as is reasonably determined by the Committee to be fair and equitable in the circumstances.

**12. Amendment and Termination**

The Board of Directors of the Corporation may from time to time amend, suspend or terminate the Plan in whole or in part, provided however that the Board of Directors may not, without approval of the holders of a majority of the shares present and voting in person or by proxy at a meeting of Shareholders of the Corporation, a) withdraw the administration of the Plan from Directors not eligible to be granted Options under the Plan or in any other plan of the Corporation or any of its subsidiaries providing for a discretionary allocation of Shares; b) materially increase the benefits accruing to participants under the Plan; c) increase the number of Shares issuable to all participants, or to any single participant, pursuant to the Plan; or d) materially modify the requirements as to eligibility for participation in the Plan. No such amendment, suspension or termination may, without the consent of any Optionee holding Options then issued and outstanding and unexercised, adversely affect the rights of such Optionee.

**13. Listing**

The obligation of the Corporation to issue Shares pursuant to the Plan or to pay SCPs shall be subject to the condition that listing or authorization for listing of such Shares on the Toronto Stock Exchange shall have been obtained. In the event the Shares reserved for issue under the Plan shall not be listed or authorized for listing upon the Toronto Stock Exchange, the obligations of the Corporation resulting from exercise of an Option may be met by a payment in cash in such amount as is reasonably determined by the Committee to be fair and equitable in the circumstances.

**14. Effective Date of Plan**

The effective date of the Plan shall be the date of its adoption by the Board of Directors of the Corporation at the meeting held on February 27, 1985, subject to the approval of the Plan by the Shareholders at the Annual Meeting of Shareholders of the Corporation to be held on May 1, 1985.

**15. Certain Definitions**

For purposes of the Plan:

an "employee" eligible to be granted an Option shall include an employee or former employee of the Corporation, or of any subsidiary of the Corporation, who has retired, after the coming into force of the Plan, but is a member of the Board of Directors of the Corporation or any of its subsidiaries or is engaged to perform functions for the Corporation or any of its subsidiaries;

a "key employee" shall include the Officers or other employees of the Corporation, or of any subsidiary of the Corporation, who in the opinion of the Committee have demonstrated a capacity for contributing in a substantial measure to the successful performance of the Corporation or of such subsidiaries;

"market value" shall mean the average of the closing prices for a board lot of Shares on the Toronto Stock Exchange and, if listed thereon, on the Montreal Exchange, on the relevant day, or if at least one board lot of Shares shall not have been traded on that day, on the next preceding day for which at least one board lot was so traded;

"retirement" shall mean retirement in accordance with the provisions of the retirement plan of the Corporation or subsidiary covering the Optionee and, if the Optionee is not covered by such a plan, as determined by the Committee; and

"subsidiary" shall mean any corporation a majority of whose shares normally entitled to vote in electing directors is owned directly or indirectly by the Corporation or by other subsidiaries.

**16. United States Optionees**

Options and SCPs to Optionees who are residents of the United States of America, its territories or possessions ("U.S. Optionees") shall be issuable pursuant to a separate segment of the Plan (the "U.S. Plan") available solely to U.S. Optionees. Shareholder approval of the Plan shall also constitute approval of the U.S. Plan. The terms of the U.S. Plan shall be those of the Plan together with the following:

a) the aggregate market value (determined as of the time the Option is granted) of Shares for which a U.S. Optionee may be granted Options which are intended to qualify as incentive stock options ("Incentive Options") under the United States Internal Revenue Code in any calendar year under the U.S. Plan and any other share option plans of BCE (and any subsidiary or parent corporation within the meaning of Section 425 of such Code) shall not exceed (U.S.) $100,000 plus any unused limit carry-over calculated in accordance with Section 422A of such Code with respect to such employee;

b) the subscription price for Shares covered by Options granted to U.S. Optionees which are intended to qualify as Incentive Options shall be equal to 100% of the market value on the Effective Date;

c) the aggregate cumulative number of Shares issuable under the U.S. Plan shall not exceed the annual limit set forth in section 3 for Shares issuable under the Plan with respect to the year 1985; and

d) Shares issued under the Plan and under the U.S. Plan with respect to any year shall not, together, exceed the annual limit set forth in section 3.

*I, the undersigned, Corporate Secretary of Bell Canada Enterprises Inc., hereby certify that the contents of this Circular and the sending of it to each Shareholder entitled to receive notice of the Annual Meeting, to each Director, to the Auditors of the Corporation and to the appropriate governmental agencies were approved by the Board of Directors of the Corporation.*

Guy Houle

*Guy Houle, Corporate Secretary*

*Montreal, February 27, 1985*

*Printed by Ronalds – Federated Limited — a BCE company*
*Litho Canada*

*This new logotype is a visual expression of BCE's corporate identity.*

*It reflects a belief that a thoughtfully conceived and consistently applied corporate symbol can help to sum up the character of an organization; can act as a seal of quality wherever it appears; and can help to gain instant recognition of the organization.*

*Because BCE is a holding corporation, it was decided not to use marks, symbols or colours usually selected for their marketing impact.*

*The challenge for the designers was to develop a design with a distinctive appearance, one which would be acceptable for registration as a trademark, and be suggestive of strength, continuity and durability — qualities we know are valued by our investors.*

*Although deceptively simple in appearance, the new logotype is one with distinctive characteristics of an enduring nature. The modified globe is combined with a unique new lettering design combining simplicity, legibility and an original composition of the three letters in slightly overlapping form.*

*Placing BCE slightly above centre suggests upward movement — a forward thinking corporation actively seeking new opportunities. The result is a logotype that is refreshingly different, yet in keeping with the character of BCE.*

*The neutral colour taupe was chosen for the background to underscore the neutrality of a large management holding corporation. This colour is not identified with any particular subsidiary, and it has no inherent geographic limitations.*

*We believe it to be an excellent piece of graphic art. It is our hope that, over time, it may come to be a familiar and reassuring symbol, emblematic of Canadian competence and quality.*

Bell Canada Enterprises Inc.

# Contents



BCE* has the largest number of registered shareholders of any Canadian corporation and its common shares are listed on Canadian, United States and European exchanges.

BCE subsidiaries and associated companies are major providers of telecommunications services; they are leaders in the manufacture and supply of telecommunications equipment, and in natural gas transportation and natural resource operations.

BCE, with its other subsidiaries and associated companies, also is a major provider of international telecommunications consulting services; and is engaged in printing, publishing and packaging, real estate and other fields.

**BCE is a trademark of Bell Canada Enterprises Inc.*

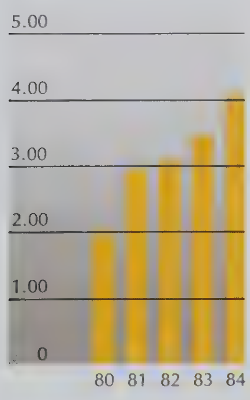
**1985 Annual Meeting**
The annual meeting of the shareholders will take place at 10:00 a.m. Wednesday, May 1, 1985 at the Edmonton Convention Centre,
9797 Jasper Avenue, Edmonton, Alberta.


Bell Canada Enterprises Inc.
Executive Offices
44th Floor
800 Square Victoria
Montreal, Quebec

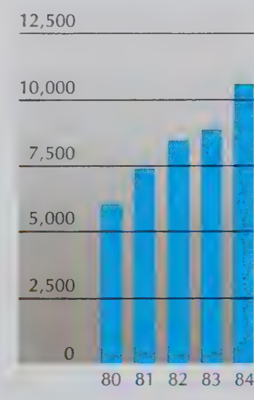
Financial Highlights

| Canadian dollars | 1984 | 1983 | 1982 |
|---|---|---|---|
| | (in millions of dollars, except per share amounts) | | |
| **Earnings per common share** | | | |
| before extraordinary items | **$ 4.03** | $ 3.46 | $ 3.05 |
| after extraordinary items | **4.03** | 3.88 | 3.07 |
| **Total revenues** | **10,578.7** | 8,874.7 | 8,411.3 |
| **Income before extraordinary items** | **940.3** | 745.2 | 611.5 |
| **Net income** | **940.3** | 829.8 | 615.4 |
| **Return on common equity** | **15.7%** | 14.7% | 13.7% |
| **Total assets** | **17,486.0** | 14,940.4 | 13,424.1 |
| **Gross capital expenditures** | **1,956.3** | 1,597.1 | 1,759.6 |

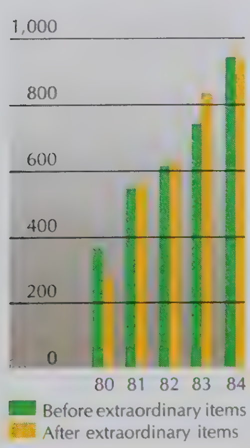
**Earnings per common share**
(before extraordinary items)
$



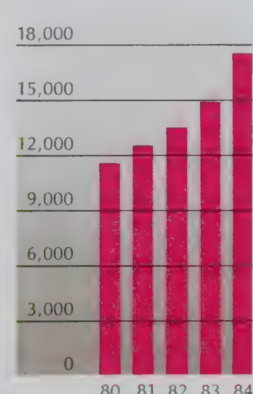

**Total revenues**
(millions of dollars)




**Net income**
(millions of dollars)




**Total assets**
(millions of dollars)



## To All Our Shareholders

1984 was our first full year since reorganization, and a year of highly successful evolution for BCE.

The world is rapidly becoming a single marketplace, and the new structure of BCE is demonstrating the capability to respond effectively to that challenge. BCE has grown to become a world-scale corporation, with solid financial achievements and good long term prospects.

BCE's 1984 financial results compare very favourably with those of other multi-nationals. Consolidated earnings per common share increased 16.5 per cent to $4.03, even though the average number of common shares outstanding increased by 21.4 million (10.7 per cent). This substantial growth in earnings per common share reflects the strong performances by Bell Canada and Northern Telecom, and the first full-year contribution by TransCanada PipeLines Limited to the corporate family.

Our principal objective continues to be to preserve the quality of our asset base and maintain our dividend record. We intend to assure continuity in our dividend policy. Our investment program is based on consistent and appropriate support of our existing businesses, coupled with entry into selected new businesses.

We have expanded our holdings in TransCanada PipeLines Limited (TCPL) to more than 47 per cent at year-end. This reflects our confidence in TCPL as a valued growth investment.

A significant new thrust during 1984 was the decision to enter the real estate field. In July, we announced participation in an extensive real estate development in downtown Toronto. To be known as BCE Place, the multiphase commercial project will be co-developed with Oxford Development Group, one of Canada's largest real estate firms. The first major tenant of BCE Place will be Canada Trust. In October, we acquired ownership of the Toronto head office building of The Permanent.

Our real estate activities were further broadened through the recent acquisition of Daon Development Corporation, of Vancouver. Daon has a very experienced management team of real estate specialists and some $1.3 billion in assets.

A further area of opportunity is the printing industry. Through our subsidiary, Tele-Direct (Canada) Inc., BCE has lengthy experience in this area, and during the year we made major investments to expand our base. We now wholly own Ronalds-Federated Limited, one of Canada's largest commercial printers, and through Ronalds we expanded internationally, acquiring ownership in 1984 of The Case-Hoyt Corporation, of Rochester, New York.

Another acquisition, British American Bank Note Inc., of Ottawa, helps to augment BCE's printing portfolio with skills and products in the field of security printing. Together, these companies form one of the largest printing and graphic design organizations in North America.

New resources are being added to the BCE family to ensure that we continue to be world technological leaders in telecommunications. The Bell-Northern Research (BNR) laboratories have been allotted increased expenditures by Northern Telecom Limited (NTL) to help it introduce new products and meet targets in overseas markets. In 1984, for the first time, a laboratory was established outside North America, at Maidenhead in the U.K.

Northern Telecom enjoyed an exceptional year in 1984, as a result of increased Canadian demand and very strong U.S. demand for its products. Sales of NTL's line of fully digital DMS™ switches generated revenues in excess of $1.6 billion.

NTL's common shares were listed on the London Stock Exchange during 1984, the first listing for the company outside North America. This reflects the strides Northern Telecom has taken in international markets.

The domestic environment is also changing, and BCE companies are taking the necessary steps to ensure continued strength.

In September, Bell Canada applied to the Canadian Radio-television and Telecommunications Commission (CRTC) for a slight increase in some of its subscriber rates to help ensure Bell's ability to maintain the value of its securities. The CRTC subsequently approved an interim increase of approximately 2 per cent, effective January 1, 1985.


Robert J. Richardson A. Jean de Grandpré



Another application before the CRTC, regarding CNCP's desire to interconnect its system with Bell Canada and British Columbia Telephone, prompted the CRTC to consider the application in a broader context to determine general principles regarding interconnection.

Bell Canada's position is that consideration by the CRTC of whether long distance service competition is in the public interest should take place only after local and long distance rates are in closer alignment with their costs.

The need to prosper in today's changing global market requires constant change from all the companies that make up the BCE family, and BCE is committed to that evolution. We feel we can speak confidently about the future. We have a demonstrated ability to attract capital and $408 million was raised in 1984 through our various share purchase plans. The quality of our asset base is high, we continue to study new investment opportunities, and to adapt to meet the challenges of the future.

The numerous achievements of the past year would not have been possible without the commitment exhibited by the talented people who comprise the staffs of BCE and its subsidiaries. One of our greatest strengths is the quality of our people, and a large part of our success in the world market is due to their efforts. This was especially evident to both of us in November, when we visited the Kingdom of Saudi Arabia. There, under a second five-year contract valued at $1.6 billion, some 600 managers, with their families, are working to help the Kingdom expand its telecommunications system.

The Kingdom's progress in developing one of the world's most advanced telecommunications systems has been truly remarkable, and the involvement of our people in this attainment has gained them an international reputation.

1984 has been a year of movement and evolution; of progress towards our new marketplace — the world. We are sure that these changes are benefiting you, our shareholders; we look forward confidently to the future success of your corporation, and we thank you for your continuing support.

A. Jean de Grandpré
Chairman and chief executive officer

Robert J. Richardson
President

February 27, 1985

## Corporate Profile

1984 was a year of important changes in BCE's corporate profile and of continuing success in its core businesses. The strong growth in revenues and earnings is evidence of the vitality of the enterprise. The changes reflect the emerging diversity of BCE and illustrate the active management role which has been evolving and which is implicit in BCE as a management holding corporation.

**Growth in existing businesses**

Both Bell Canada and Northern Telecom, the two largest parts of BCE, enjoyed growth in revenues and earnings in 1984. In each of these companies, a significant factor contributing to growth has been the ability to respond effectively to the major technological and regulatory changes which continue to occur in the telecommunications industry.

For Bell Canada, the main spur to growth was increased demand for long distance service. 1984 long distance revenues were 10.4 per cent greater than in 1983. Bell Canada also experienced continuing success with its cost containment measures, while maintaining its high levels of service and efficiency.

Northern Telecom's growth is directly related to its success in employing digital technology and responding to the new market opportunities in the United States. The company's profitability places it in a good position to fund research and development on new products and respond to competition.

Bell-Northern Research has long played a vital role in keeping the BCE family in the forefront of telecommunications technology and BNR will continue to be a cornerstone in BCE's foundation of technological expertise in this field.

**Growth by additions to existing businesses**

While internal growth is the principal source of growth for most of BCE's subsidiaries, acquisitions are a valuable means of breaking into new markets or acquiring particular expertise. The acquisitions carried out in the printing field during 1984 offer a good example.

At the beginning of the year, BCE owned, through Tele-Direct (Canada), some 70 per cent of Ronalds-Federated, one of Canada's largest commercial printers. In order to have maximum flexibility in the development and growth of its printing activities, BCE acquired the remaining 30 per cent of the shares of Ronalds.

During the second quarter, negotiations commenced with The Case-Hoyt Corporation of Rochester, New York, which had been identified as being particularly attractive because of its leading position in the high-quality segment of the printing and packaging industry in the United States. Because Case-Hoyt was employee-owned, any agreement had to receive the full support of the existing management team. This was obtained and the transaction was completed successfully.

Later in the year, we acquired British American Bank Note Inc., again with the full support of their management. The addition of British American Bank Note extends BCE's printing operations into several new products areas.

With each of these acquisitions the management of BCE worked closely with the management of Tele-Direct and Ronalds-Federated. The latter two transactions were completed by the issuance of BCE shares in exchange for the acquired companies.

**Growth in new businesses**

An important aspect of BCE's management activities is to encourage entry into new businesses which may not fall naturally within the business plans, experience or resources of a particular business within the group. The management involvement of BCE can be valuable to initiate, support or facilitate an action. The past year provided several examples.

TransCanada PipeLines Limited was acquired to provide BCE with an entry into the energy field on a basis which limited BCE's financial risk. TCPL's performance to date has exceeded BCE's expectations, and the carrying value, on an equity basis, of BCE's interest at year-end, totalled $777 million. The outlook for natural gas sales to the United States continues

to improve and this will be reflected in increased utilization of TCPL's network, and in its expansion plans.

The BCE companies have been involved in real estate for many years as owners and tenants for their own requirements, but BCE itself had not been active in the real estate field. In 1984, this changed as BCE created as a subsidiary BCE Realty Inc. which entered the field as an investor through participation in the BCE Place project, with Oxford Development Group, and the purchase of the head office building of The Permanent in Toronto.

The experience gained through these transactions suggested to BCE that its growth in this field would be limited unless it acquired greater development expertise. The acquisition of Daon Development Corporation, subsequent to the 1984 year-end, provides a management team capable of developing major commercial properties, both by itself and jointly with BCE Realty Inc.

The primary thrust of BCE's real estate strategy will be commercial development of key downtown sites in major metropolitan centres. Such sites offer a strong, competitive position. Furthermore, BCE Realty expects to reduce the risk of these projects by arranging lead tenants and long term financing prior to the commencement of construction.

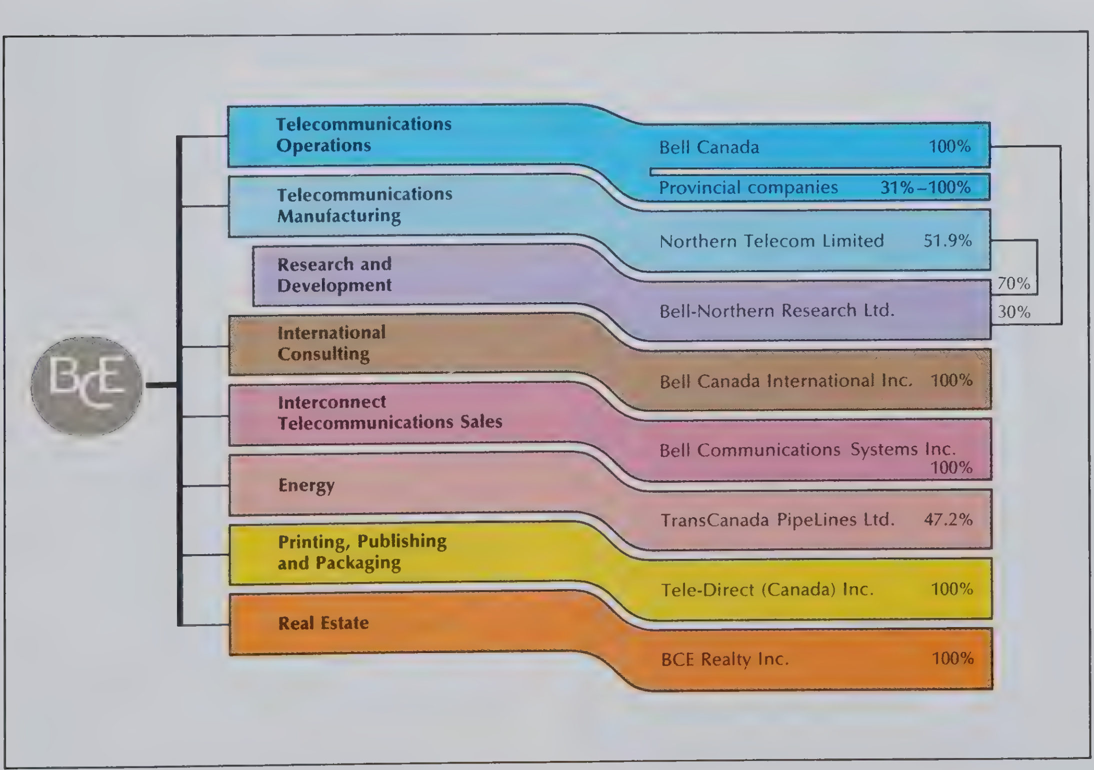
Another field of business activity was entered during 1984 by Bell Canada International (BCI). The management of BCI had identified that there was an attractive and growing market in Europe for the maintenance of mini and micro computers by companies other than the vendors or manufacturers. BCI was able to acquire General Computer Systems, one of the most successful companies in this small, but emerging field. More recently, agreement in principle was reached to acquire some similar operations of Cable and Wireless in the U.K. and on the continent. Together with General Computer Systems, this will represent a significant presence in the independent computer maintenance market in Europe.

Finally, during 1984, Bell Communications Systems Inc., the wholly-owned subsidiary of BCE which sells and services interconnect telecommunications systems, formed a new division, Bell Cellular, to provide cellular radio communications services beginning July 1, 1985. Cellular radio will provide significant benefits to mobile telephone users, compared to existing systems and presents an exciting new business area.

**Continuity of purpose and direction**

As BCE continues to grow, both in existing businesses and in new areas, it remains firmly committed to the application of financial principles which help to protect a secure and growing return to our shareholders.





# Telecommunications Operations



Bell Canada is the country's leading provider of telecommunications services, operating in Ontario, Quebec and the Northwest Territories. Its 1984 net income grew to $626.7 million, a 6.1 per cent rise over last year, and contributed $2.69 to BCE's earnings per common share. The rate of return earned by Bell Canada on its common equity increased from 13.5 per cent to 13.9 per cent. Total operating revenues rose 9.9 per cent to $5,290.6 million during the year.

Productivity was the keynote for Bell Canada in 1984 — the ability to do more for less. The number of employees per 1,000 network access services fell to 7.3 during the year, compared with 8.1 in 1983. This reflects heavy investments in modernization programs in the late 70's and early 80's, combined with strict cost containment programs. During 1984, Bell also extended its early retirement incentive programs. In addition, a Productivity Council was established with a mandate to build employee awareness, reward achievements and seek out opportunities to increase productivity.

Contracts with Bell's two unions came up for negotiation in 1984. A two-year agreement has been signed with the Canadian Telephone Employees' Association. At the time of writing, memoranda of agreement, which are subject to ratification by the members, had been signed with representatives of the Communications, Electronic, Electrical, Technical and Salaried Workers of Canada union.

Two debenture issues were sold in Canada. One issue of $125 million of 13 ⅞% debentures will mature on May 1, 2000; the other $125 million offering, of 12.65% debentures, will mature on November 15, 2003.

Two major influences affecting Bell's operating environment in 1984 were decisions of the regulatory body, and the impact of the continuing evolution of telecommunications technology.

**Regulatory environment**

In September, Bell Canada submitted an application to the CRTC to raise certain subscriber rates effective January 1, 1985; the CRTC later gave approval for an interim increase of approximately 2 per cent. This is expected to generate additional 1985 revenues of approximately $65 million.

In another development, CNCP asked the CRTC to permit interconnection of its system with those of Bell Canada and British Columbia Telephone in order to compete in providing long distance services. The Commission agreed to consider the application, and other issues in a broader context to determine general principles regarding interconnection.

Regardless of the decision on further long distance competition, Bell has stated that rates for local and long distance service must be more closely aligned with their costs. Historically, long distance service has subsidized local telephone service.

In September, Bell Canada provided detailed information to the Commission on a proposal for a gradual five-year rate adjustment process. Bell views this change as necessary in order to move rates for telecommunications services closer to their costs and to reduce rates for long distance services.

**Telecommunications evolution**

Bell Canada introduced a number of new products and services during 1984. Among them was the improved Centrex III, which adds a number of features based on digital technology. It provides businesses with an integrated, cost-controlled communications operation. It integrates voice and data communications on a single line, helping to control operational costs.

Envoy 100™ is Canada's most advanced messaging service. It has been greatly expanded by linking it to 55,000 TWX stations in the U.S. A new service called Teleport™ allows travellers to keep in touch with their offices through keyboard and terminal screens in major airports.

The SL-1™ product line of private business exchanges (PBX) has been completely remodelled, with a more compact design and new software and hardware which provide greater power and flexibility.

Teleroute 200™ was launched in 1984. It enables privately-leased circuit users to achieve cost savings through digital transcoding of voice transmissions.

The Meritor™ system, a new key system, allows small and medium sized businesses to take advantage of the latest technology. Its modular design permits the system to grow as the business grows.

The new Unity™ series of telephone sets was introduced in 1984. Unity I™, which is offered for sale, is a single-line business set; Unity II™, which is offered for sale or lease, has multi-line features and provides access to PBX and Centrex III system features.

Bell also offers the Integrated Office Systems concept. Private digital PBX's are used as a management information tool for intercity and interoffice communications in all forms. And through the new Bell INFO PRO division, Bell Canada's expertise, training and management systems are sold or leased to Canadian companies.

**Capital spending up**

Bell Canada's capital program increased in 1984. Capital expenditures rose to $1,179 million, an increase of $38 million over 1983. This was necessary to meet an increase in demand of 249,400 in the number of network access services.

Bell Canada's network modernization program accounted for expenditures of $108.1 million in 1984; the program is extending its increasingly "intelligent" communications network. Bell's long term goal is complete digitization of the network.

**Related investments**

Tele-Direct (Publications) Inc., wholly-owned by Bell Canada, publishes directories and sells Yellow Pages™ advertising for Bell Canada and 46 other Canadian telephone companies. It represents 70 per cent of the country's telephone directory advertising market.

Bell Canada has equity interests of 30 per cent in Bell-Northern Research Ltd., Canada's largest privately-owned industrial research and development laboratories, and 24.6 per cent of Telesat Canada, the country's sole operator of communications satellites.

Early in 1985, a new subsidiary, Bell Canada Management Corporation, was created to manage new business ventures. The first of these, LAVALIN BELL GEOMAT INC., will specialize in the provision of automated network management services at both the national and international levels. LAVALIN BELL GEOMAT INC. is jointly owned by Bell Canada Management Corporation and Lavalin Inc., of Montreal.

Bell Canada is acquiring the Canadian data systems division of Northern Telecom. It is expected that it will be operated as a new company to be known as Bell Data Systems, with its head office in Montreal. The division's 1984 sales were some $50 million.

**Senior management**

On January 5, 1985, James C. Thackray retired from the chairmanship of Bell Canada after a distinguished career which spanned more than 40 years of service with the company. As president, and later chairman and chief executive officer, Mr. Thackray directed and personally conducted the negotiations leading to the successful expansion of the company's activities onto the international scene.

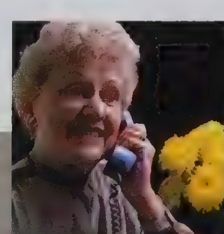
Bell president J.V. Raymond Cyr, who joined the company in 1958, also was named chairman and chief executive officer to succeed Mr. Thackray.



**Other BCE telecommunications interests**

BCE has a 53.3 per cent interest in Newfoundland Telephone Company Limited, 99.8 per cent of Northern Telephone Limited in Ontario, and 100 per cent of Télébec Ltée in Quebec. It also has minority holdings in Maritime Telegraph and Telephone Company, Limited (31.4 per cent) and The New Brunswick Telephone Company Limited (31.3 per cent).

These companies experienced increased revenues and earnings in 1984. They contributed $40.4 million to BCE's earnings, an increase of 4.7 per cent.



The new Harmony™ telephone has been an immediate hit with consumers.

COMPANY REPORTS

# Telecommunications Manufacturing



Northern Telecom Limited (NTL) is the second largest designer and manufacturer of telecommunications equipment in North America; the world's largest supplier of fully digital telecommunications systems; and a significant supplier of integrated office systems.

The company reported record financial performance in 1984, with all of its principal product lines contributing to its growth. NTL enhanced its position in many markets, and laid the foundation for new families of products for the second half of the decade.

Net earnings applicable to common shares were $333.9 million, up 47 per cent from $227.1 million in 1983, before an extraordinary gain. Total revenues were $4,379 million, up 32.5 per cent from $3,304 million in the previous year. The contribution to BCE's earnings per common share was $0.74, up 23 per cent from $0.60 in 1983.

**Product lines**

Central office switching sales were NTL's strongest revenue growth area, representing 43.2 per cent of consolidated revenues. The company's fully digital DMS™ line of switches continued to be the most significant factor in NTL's performance, exceeding $1.6 billion in revenues.

Total central office switching revenues rose 55.8 per cent to $1.9 billion in 1984, compared to $1.2 billion in 1983.

Integrated business systems and terminals (combining the formerly separate lines of business communications systems and terminal equipment) was second in growth, up 24.1 per cent from 1983 to $1.5 billion. The SL™ family of private business exchanges (PBX) accounted for the most significant part of this growth, rising 37.8 per cent to $864.1 million.

Other important products were the Vantage™ key telephone system, the SL-10™ packet switching system, and telephone apparatus such as the successful new Harmony™ residential electronic set, which requires half the material and labour of the previous set.

Transmission equipment revenues were up 15.4 per cent during the year, to $599.6 million, on the strength of a nearly 58 per cent rise in sales in the U.S. This business is evolving rapidly; for example, transmission revenues include fibre optics systems which rose 78.4 per cent in 1984 to nearly $100 million.

The cable and outside plant business grew during the year, after a modest decline in 1983. Revenues were up 8.9 per cent to $308.8 million. Revenues for other telecommunications, mainly R&D, were $76.5 million, up 2.3 per cent.

**Market areas**

The United States was NTL's leading market by a wide margin, representing 65.4 per cent of the 1984 consolidated revenues, with growth up 49.8 per cent from the previous year.

Revenues from central office switching equipment showed the strongest growth, up 77.3 per cent over 1983. Other leading NTL growth areas in the U.S. were transmission equipment, and SL™ PBXs, up 43.2 per cent.

A major growth opportunity for Northern Telecom in the U.S. continued to be the 22 Bell operating companies divested by American Telephone & Telegraph Company at the beginning of 1984. Sales to these companies reached $699.3 million in 1984, more than double the 1983 figure, which itself was double the 1982 level.

In Canada, NTL revenues were up 12.7 per cent to $1.2 billion reflecting, in part, a recovery in spending by telecommunications companies. Revenues from DMS™ systems in particular picked up 47.7 per cent. New Canadian markets for office information systems were also developed.

International business amounted to $372.5 million during the year, compared with $376.3 million in 1983. One highlight of 1984 was a (US) $120 million agreement signed with Trinidad and Tobago, involving the provision of DMS™ switches, telephones, fibre optic and digital radio transmission equipment, and outside plant facilities. Most Caribbean countries now use NTL equipment.

DMS™ sales were also made in Turkey, Peru (the first South American DMS™ sale), China, and Austria. Significant SL™ PBX sales were made in China, New Zealand, Algeria and Japan. Sales of terminals included the new Vienna™ line of computers and office

information systems, developed in the U.K. and sold to some 100 European customers in seven countries during the year.

**New equipment**

In mid-February 1985, NTL announced major new product developments. These included the Meridian™ SL-1™ and SL-100™ Integrated Service Networks, including a local area networking capability, called Lanstar™, which can transmit voice, data, and graphics at rates of 2.56 million bits per second over conventional telephone lines; the DV-1™ Data Voice System to serve customer organizations of five to 100 people; families of fully digital terminals; and an array of software-driven information services.

NTL also introduced the concept of a dynamic network architecture to increase the flexibility and capability of public communications networks.

During 1984, NTL further evolved its SL™ line, with four new models incorporating expanded software in a more compact size. Displayphone™ terminals were enhanced to increase access to computer systems, including personal computers.

**Capital spending up**

Northern Telecom Limited spent over $1 billion in capital projects, and research and development in 1984.

Capital expenditures were up 51.1 per cent over 1983, reaching $569.6 million. The investments were necessary to meet higher-than-expected demand for NTL products through increased production capacity, and in equipment and process, to increase productivity.

NTL's capital investments in 1984 included the doubling of switch manufacturing facilities in its Calgary, Alberta plant; the start-up in Ottawa, Ontario of a new Advanced Technology Centre to design microchips; a doubling of the Atlanta, Georgia transmission plant; and a (US) $100 million investment in plant and equipment for DMS™ production near Durham, North Carolina.

NTL now employs more than 47,000 people and has 47 manufacturing plants in Canada, the United States, the United Kingdom, Republic of Ireland, Malaysia, and Brazil.

Research and development investment was $431.5 million in 1984, up 32.9 per cent over 1983. NTL expects to maintain research and development expenditures at approximately 10 per cent of revenues over the next year.

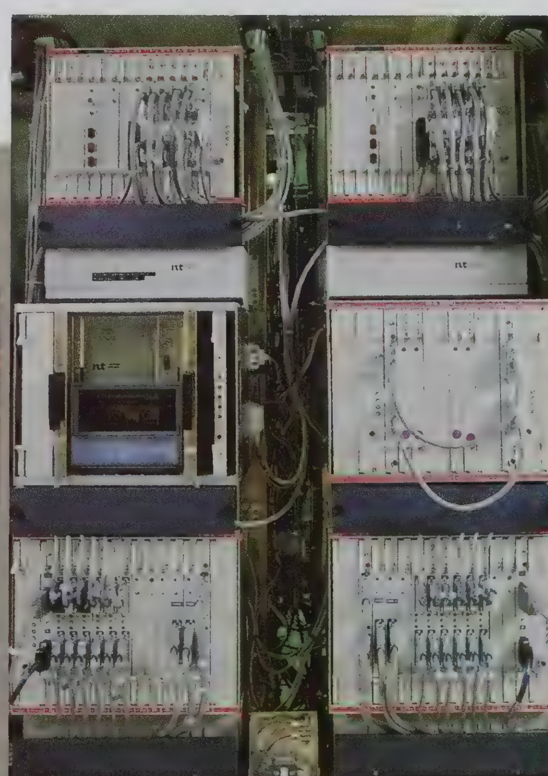
As a result of the working capital requirements in 1984, NTL issued preferred shares for the first time. During the year, NTL raised $388 million through three preferred share issues. These shares are non-voting and non-convertible.

**Senior management**

Walter F. Light who, for more than a decade, has served Northern Telecom Limited variously as president, chief executive officer and chairman indicated a wish to retire during 1985. Consequently, on October 12, 1984 Northern president Edmund B. Fitzgerald also was named chief executive officer with Mr. Light continuing to serve as chairman until his retirement.



Mr. Light is one of Canada's most respected telecommunications executives. In recent years he has led Northern Telecom to its position as one of the world's acknowledged leaders in telecommunications technologies and equipment. Prior to joining Northern Telecom, Mr. Light had been associated with Bell Canada for some 25 years.



Fully digital SL™ private branch exchanges are integral to NTL's new Meridian™ line of information handling and communications systems.

COMPANY REPORTS

# Research and Development



Bell-Northern Research Ltd. (BNR) is the largest private industrial research and development organization in Canada.

BNR's role is to assist the evolution of communications by pioneering the application of new technologies; and by conceiving and developing new products which will help its parent companies maintain their leadership. For example, the BNR laboratories led the world in the application of computing technology to telecommunications to produce the successful DMS™ and SL™ families of digital switches.

During 1984, spending on R&D programs by all the BNR laboratories increased by more than 26 per cent from the previous year to nearly $400 million.

**High quality components undergo rigorous testing in the anechoic chamber at BNR laboratories.**

The design of large-scale integrated circuits has been a major focus for BNR, and BNR innovations during 1984 will help with this process. BNR scientists are using a sophisticated technique, called voltage contrast, to look inside operating integrated circuits. The technique helps researchers analyze and verify circuit designs at a very early development stage.

BNR continues to examine new ways to enhance communications between people and computers. Speech recognition, verification and synthesis research is now underway to enable computers to understand the human voice, identify the speaker, and reply using synthetic computer speech.

A new series of electronic business telephones, the Unity I™ and Unity II™, has also been introduced. Working with Northern Telecom, BNR groups produced a compact single-line phone with advanced features; the Unity II™, for example, has a LINK™ button giving access to features offered by private branch and central office exchanges.

One of the most important developments is the newly-created Meridian™ line of information handling and communications systems. The Meridian™ series was created as part of NTL's OPEN World™ program to integrate voice, data and image communications systems.

BNR laboratories in Canada, in the United States, and in the United Kingdom are situated close to markets, and thus can supply insight into customer expectations. During 1984 two new labs were added to this network at Atlanta, Georgia, and at Maidenhead in the United Kingdom. The Maidenhead facility will continue the development of international versions of Northern Telecom's packet switches and central office switches.

The BNR laboratories now have more than 4,000 employees working in ten cities. Canadian facilities are in Ottawa, Montreal, Toronto and Edmonton; U.S. locations include Atlanta, Georgia; Richardson, Texas; Research Triangle Park, North Carolina; Mountain View, California, and Ann Arbor, Michigan. The Maidenhead lab is near London, England.

COMPANY REPORTS

# International Consulting

Bell Canada International Inc. (BCI) worked on 58 projects in 32 countries during 1984.

The largest of these projects is the provision of operations and management services to the Ministry of Post, Telegraph and Telephone in the Kingdom of Saudi Arabia. The five-year contract is for some $1.6 billion (Canadian), and follows a previous five-year agreement between the Kingdom and Bell Canada.

BCI is active on five continents. In Africa, consulting services are being rendered to Algeria; work is also underway in Benin, Mali, Niger, Bourkina Fasso, Senegal and the Cameroons.

The Caribbean region is seeing the continuation of a $13 million project in Trinidad and Tobago to assist and advise in the expansion and modernization program of the telephone system. Other projects were undertaken in the Bahamas, Barbados, Antigua, Bermuda, Jamaica, and St. Lucia.

South American projects included a planning study for Colombia, and executive training for Brazilian PTT personnel. In the Far East, BCI is working with telecommunications organizations in Papua New Guinea, Hong Kong and Malaysia.

BCI is expanding and diversifying its operations. The 1984 purchase of General Computer Systems (GCS) in the U.K. gave BCI access to the growing market for independent company maintenance of mini and micro computers. BCI also formed BCI (UK) Limited, a holding company for GCS and other companies which may be acquired or established in Europe.



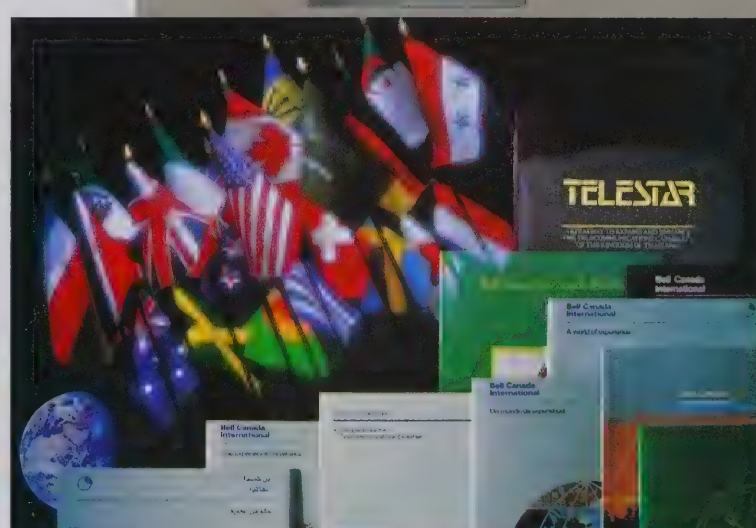
COMPANY REPORTS

# Interconnect Telecommunications Sales

Bell Communications Systems Inc. (BCSI) is Canada's leading company in the sales and service of interconnect telecommunications systems. BCSI has more than 350 employees at twelve offices in eight major centres in Ontario and Quebec.

In 1984, BCSI's fourth year of operation, revenues increased to some $41 million. The company has been particularly successful in responding to the needs of large business customers and has installed a total of more than 1,100 systems, representing 124,000 service units.

During 1984, Bell Cellular was formed as a division of BCSI. Bell Cellular will market cellular radio services to clients in Ontario and Quebec, starting July 1, 1985.




**BCI sells Canadian telecommunications expertise around the world.**

# Energy

BCE's holding in TransCanada PipeLines Limited (TCPL) increased during 1984 to 47.2 per cent. This resulted from the July purchase of an additional four million common shares, and participation in TCPL's dividend reinvestment and share purchase plan. TCPL's contribution to BCE's earnings per common share was $0.41.

TCPL is a major Canadian energy company, which has operated one of North America's largest natural gas transmission systems for more than 25 years. It has broadened its activities to include investments in other gas pipelines; petroleum exploration, development and production; and frontier energy transportation development.

TCPL has interests in other companies including a 50 per cent interest in Trans Quebec & Maritimes Pipeline Inc., a 44 per cent interest in Foothills Pipe Lines (Sask.) Ltd. and a 50 per cent interest in Great Lakes Gas Transmission Company. TCPL is also the manager of Sable Gas Systems Limited and the Polar Gas Project and has holdings in energy-related manufacturing and an interest in a natural gas extraction plant.

TCPL's 1984 reported earnings increased 16 per cent to $265.9 million before deducting a special provision of $13.4 million for the company's investment in the Alaska segment of the Alaska Natural Gas Transportation System. This special provision was made because of uncertainty about whether or not the project will be completed in the near term.

Net income for the year, after allowing for the special provision, was $252.5 million, an increase of 11 per cent over 1983.

**Utility operations**

At year-end, the company had approximately 1,410 billion cubic metres of contracted gas reserves in western Canada. Cumulative production from these reserves has totalled 601 billion cubic metres, including production of 35.8 billion cubic metres for the twelve months period ending December 31, 1984.

Gas sales and transportation volumes in 1984 were up 15 per cent from the preceding year. Canadian volumes were the highest in TCPL's history.

The principal factors responsible for the increase in sales and transportation volumes were a return to more normal winter weather, sustained economic recovery in Canada and the United States and regulatory changes enabling TCPL to negotiate market-related prices and volume discounts with United States customers.

Almost half of the increase in sales to Ontario and Quebec came from improved sales to industry, with the rest being split between residential and commercial markets.

The northeastern United States provides TCPL's most promising marketing opportunity, and further progress was made during 1984 to establish new customers in this area.

On November 1, 1984, Boundary Gas, of Boston, began importing 1,131 thousand cubic metres of natural gas per day and continued to take the same volume throughout November and December. Boundary Gas is a consortium of 15 utilities serving New England. This was the first delivery of new volumes of natural gas which were approved for export to the United States by the National Energy Board in 1983.

To deliver the remainder of these volumes, TCPL has proposed the construction of new pipeline and compression facilities which will provide a 20 per cent increase in the capacity of its system. This proposal will be considered by the National Energy Board during 1985.

TCPL has also received approval to export additional volumes of natural gas to the American midwest. The company proposes to route this gas through the Northern Border pipeline system, in which TCPL has a 30 per cent interest.

The National Energy Board approved a 4.2 per cent increase in TCPL's tolls for transportation of natural gas, effective August 1, 1984. This increase was designed to allow the company to earn a rate of return on equity of 15.5 per cent, compared with the previous 15 per cent.

**Oil and gas operations**

During 1984, TCPL participated in exploration and development activities in western Canada, the offshore area of the Canadian east coast, the United States, Australia, Indonesia, Italy and the North Sea. In western Canada the company participated in the drilling of approximately 1,000 exploratory and development wells, compared with 851 in 1983. It also participated in the drilling of some 147 wells in the United States in 1984, compared with 33 in the preceding year.

In Australia, TCPL participated in the drilling of an exploratory well in the Eromanga Basin in Queensland, resulting in the Bodalla South oil discovery. Of particular interest in Indonesia was the commencement of oil production from the Lalang field and the discovery of the Melibur oil field in the Malacca Strait area. In addition, gas and condensate have been found in the U.K. sector of the North Sea.



TCPL is also actively expanding its oil and gas interests through acquisitions. In July, the company acquired the assets of Wessely Energy Corporation of Dallas for a price in excess of (US) $100 million. Wessely is involved in oil and gas production, and has properties with proven reserves estimated at two million barrels of oil and 82.9 billion cubic feet of natural gas.

**Natural gas moves to commercial and domestic users through the gas transmission systems of TransCanada PipeLines Limited.**

# Printing, Publishing and Packaging



Tele-Direct (Canada) Inc. is a wholly-owned subsidiary of BCE. Through its subsidiaries and associated companies, it is one of the largest printers in North America. It is also involved in the sale of Yellow Pages™ directory advertising in the United States and Australia, magazine publishing and woodtreating.

Total revenues in 1984 amounted to \$417 million, an increase of 48.6 per cent over the previous year, of which 33.4 per cent related to two major acquisitions completed during the year. The contribution to BCE's earnings per share from the operations of Tele-Direct (Canada) was \$0.09.

Printing, packaging and custom cheque activities are carried on by its subsidiary, Ronalds-Federated Limited, which now employs over 4,600 people and has 25 plants across Canada and the U.S. During the year, the outstanding 30.4 per cent minority interest of Ronalds was acquired and two significant printing acquisitions were completed.

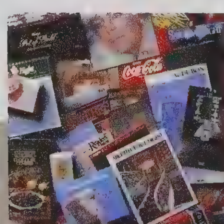
The Case-Hoyt Corporation of Rochester, New York, acquired in June 1984, specializes in high quality printing and packaging for the American market and had 1984 revenues of over (US) \$100 million. For the past fourteen consecutive years Case-Hoyt has won more Printing Industry of America awards for excellence than any other U.S. printer.

British American Bank Note Inc. (BABN) of Ottawa, was acquired in October 1984. It is engaged in security printing and related services for government, business and industry and had 1984 revenues of over \$80 million. BABN engraves and prints banknotes, bonds, treasury bills, postage stamps and security certificates. It is also the major Canadian producer of lottery tickets, bank forms, credit cards and travellers' cheques.

The sale of telephone directory advertising is conducted by National Telephone Directory Corporation, a wholly-owned U.S. subsidiary, and by Edward H. O'Brien Pty. Limited, a 49 per cent owned associate in Australia. These companies have been selling Yellow Pages™ advertising for telephone organizations under contractual arrangements that are now more than half a century old. Both companies scored notable successes in 1984 by renegotiating long term contracts with their respective telephone company clients.

Another Tele-Direct (Canada) company is Comac Communications Limited, the largest publisher of controlled circulation consumer publications in Canada, reaching more than five million readers from coast to coast. The company publishes nine magazines including Homemaker's Magazine, Western Living and City Woman. During the year Quest magazine ceased publication and plans were announced to launch two new magazines.

Other interests of Tele-Direct (Canada) include: woodtreating, which enjoyed a significant expansion of activities during 1984; commercial leasing, list brokerage and the publishing of trade periodicals.




**BCE companies comprise one of the largest high quality printing, and graphic design organizations in North America.**

# Real Estate

BCE Realty Inc., was formed in 1984 as a wholly-owned subsidiary to invest in real estate.

During 1984, BCE Realty, together with Oxford Development Group, began a major Toronto real estate project called BCE Place. BCE Place will be a multiphase commercial development occupying some 60 per cent of a block in the city's financial district. Upon completion, it will include several distinctive buildings which will complement neighbouring structures.

Financing for the project will be arranged by BCE, while Oxford Development Group, one of Canada's largest real estate firms, will act as developer and manager of the properties making up BCE Place. BCE Realty plans to hold its interest in BCE Place as a long term investment.

In October 1984, Canada Trust announced that it would be the first major tenant of BCE Place and the first structure in the project will be known as Canada Trust Tower. Canada Trust has an equity position in this first phase of the project, which will be a structure having some 800,000 to 1,000,000 square feet of floor space. Construction is expected to begin in the fall of 1985, with occupancy to begin in late 1987.

Also in 1984, BCE Realty purchased the Toronto head office building of The Permanent, a major Canadian loan and trust institution. The transaction includes a lease arrangement under which The Permanent remains as prime tenant.

Subsequent to year-end 1984, BCE acquired control of the Vancouver-based Daon Development Corporation, which has assets of approximately $1.3 billion. Daon has commercial properties, principally in Vancouver and San Francisco, and land development assets, principally in the United States and western Canada.




**The graceful architecture of the banking hall is a noted feature of the building purchased by BCE Realty from The Permanent.**

# Financial Review

Consolidated income before extraordinary items in 1984 was $940.3 million ($4.03 per common share) compared to $745.2 million ($3.46 per share) in 1983 and $611.5 million ($3.05 per share) in 1982. The increase in income in 1984 of 26.2 per cent reflected the strong performances by Bell Canada and Northern Telecom Limited. Also, 1984 was the first full year in which TransCanada PipeLines Limited (TCPL) contributed to BCE's income.

Earnings per share increased by 16.5 per cent in 1984, compared with 13.4 per cent in 1983 and 3.4 per cent in 1982. Earnings per share for 1984 were based on an average of 221.7 million common shares outstanding compared with 200.3 million in 1983 and 181.9 million in 1982.

Bell Canada's telecommunications operations (including directory operations) contributed $2.69 to earnings per share, compared to $2.71 in 1983 and $2.40 in 1982. The 1984 contribution per share is lower than in 1983 as a result of a greater number of shares outstanding. Northern Telecom, 51.9 per cent owned by BCE, contributed $0.74 to earnings per share, compared with $0.60 in 1983 and $0.40 in 1982. Other companies (including $0.41 from TCPL and $0.24 from international consulting services) contributed $0.81 in 1984 compared to $0.41 (including $0.13 from international consulting services) in 1983 and $0.56 in 1982.

Consolidated earnings per common share are after deducting preferred dividend requirements equivalent to $0.21 per share in 1984, $0.26 in 1983 and $0.31 in 1982.

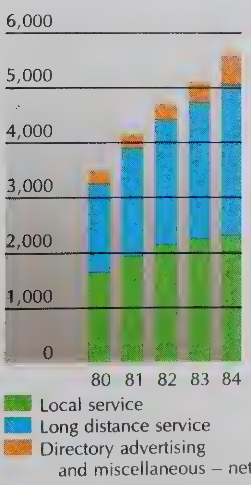
In 1984, there were no extraordinary gains, compared with gains of $84.6 million ($0.42 per share) in 1983 and $3.9 million ($0.02 per share) in 1982.

**Telecommunications Operations**

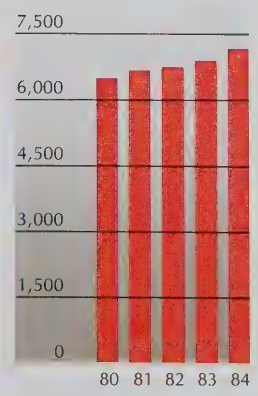
Operating revenues of Bell Canada and other telecommunications operating companies increased by $464.8 million (9.2 per cent) in 1984, by $385.0 million (8.2 per cent) in 1983 and by $550.9 million (13.3 per cent) in 1982. In 1984, approximately $102.5 million of the increase represented the year over year effect of the 5 per cent rate increase granted to Bell Canada, effective September 1, 1983. In December 1984, the Canadian Radio-television and Telecommunications Commission approved an interim rate increase of approximately 2 per cent for certain services of Bell Canada. The increases, which became effective January 1, 1985, are expected to increase Bell Canada's 1985 total operating revenues by approximately $65 million.

Local service revenues of telecommunications subsidiaries increased by $70.5 million (3.2 per cent) in 1984, compared with $88.2 million (4.1 per cent) in 1983 and $217.7 million (11.3 per cent) in 1982. Excluding the year over year impact of rate increases, local service revenues increased 0.7 per cent in 1984, and decreased by 0.3 per cent in 1983. Network access services, which accounted for the major portion of local service revenues, increased 3.7 per cent in 1984 compared to 2.5 per cent in 1983 and 1.1 per cent in 1982. In 1983 and 1984, growth in network access services occurred in both the residential and the business markets.

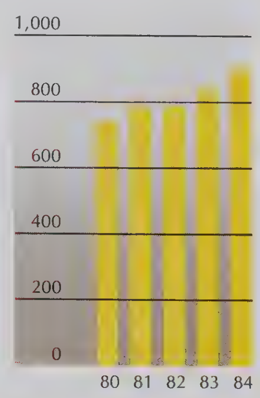
**Telecommunications operations – revenues**
(millions of dollars)




**Network access services**
(thousands)




**Long distance messages**
(millions)



Long distance revenues increased by $258.1 million (10.4 per cent) in 1984 compared with $204.7 million (9.0 per cent) in 1983 and $304.6 million (15.4 per cent) in 1982. Excluding the year over year effect of rate increases, long distance revenues increased by 8.5 per cent in 1984 and 5.8 per cent in 1983 and resulted primarily from improving economic conditions. The number of long distance messages increased 7.4 per cent in 1984 over 1983 and 5.3 per cent in 1983 over 1982.

Operating expenses increased by $315.5 million (8.7 per cent) in 1984, by $167.3 million (4.8 per cent) in 1983 and by $454.9 million (15.1 per cent) in 1982. The increase in 1984 is due primarily to higher employee related expenses (attributable to increases in salary and wage rates), higher depreciation expense and higher amount of goods sold under sales-type leases. The increase was partially offset by significant employee reductions and other cost containment measures.

**Telecommunications Equipment Manufacturing**

Revenues increased by $1,072.7 million (33.0 per cent) in 1984, $261.8 million (8.8 per cent) in 1983 and $455.5 million (18.0 per cent) in 1982. These increases were primarily the result of growth in volume rather than changes in price.

The United States continued to account for the largest part of Northern Telecom's growth in 1984. Northern Telecom's sales recovered with the Canadian market following a decline in 1983. Revenues in international markets were little changed from the prior year.

U.S. revenues were $2,826 million in 1984 (65.4 per cent of total revenues) up 49.8 per cent from $1,887 million (58.1 per cent of total revenues) in 1983; 1982 revenues were $1,473 million (49.3 per cent of total revenues).

In Canada, revenues increased to $1,379 million (31.9 per cent of total revenues) in 1984, a 10.1 per cent increase from $1,252 million (38.5 per cent of total revenues) in 1983, which represented a 10.1 per cent decline from the 1982 level of $1,392 million (46.6 per cent of total revenues).

Central office switching equipment produced the most significant sales growth in 1984 with an increase of 55.8 per cent. Revenues from this product line in 1984 were $1,886 million, compared with $1,211 million in 1983 and $1,004 million in 1982. The principal reason for the increase in 1984 was the success of the Digital Multiplex System™ (DMS) switches in the U.S. and Canada. DMS™ revenues rose 67.8 per cent to $1,615 million in 1984 compared to $962.4 million in 1983 and $672.5 million in 1982.

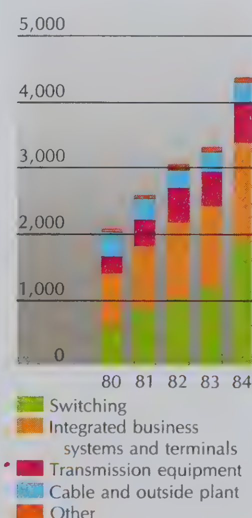
Revenues from integrated business systems and terminals were up 24.1 per cent to $1,508 million in 1984, compared with $1,215 million in 1983 and $1,190 million in 1982. The increase in 1984 was led by SL™ PBX sales which increased 37.8 per cent and also by key telephone systems sales which increased by more than 30 per cent. Transmission revenues were $599.6 million in 1984, up 15.4 per cent from $519.8 million in 1983, compared with $487.8 million in 1982. Revenues from cable and outside plant products were $308.8 million in 1984, up 8.9 per cent from $283.6 million in 1983, and $291.5 million in 1982. The 1984 increase was mainly due to outside plant products, and increased sales of cable to customers in the U.S.

Net revenues from manufacturing operations were $469.7 million, up 58.1 per cent from $297.1 million in 1983, compared with an increase of 46.1 per cent from $203.4 million in 1982. The increase was mainly due to the profitability of the DMS™ switching family and the increasing proportion of the revenues attributable to it.

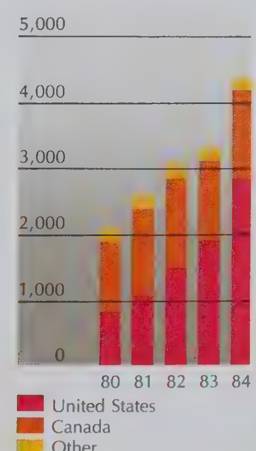
**Selling, General and Administrative Expenses (SG&A)**

SG&A expenses amounted to $777.7 million in 1984 (18.0 per cent of total revenues), up 39.7 per cent from $556.7 million in 1983 and compared with $460.2 million in 1982 (17.1 per cent and 15.4 per cent of total revenues, respectively). The increases in SG&A are due mainly to the expansion of marketing, sales, and services forces in the U.S., reflecting continuing growth in revenues.

**NTL revenues by product lines**
(millions of dollars)




**NTL revenues by geographic areas**
(millions of dollars)



**Research and Development (R&D)**

Consolidated R&D expenditures amounted to $543.1 million (an increase of 26.5 per cent over 1983) in 1984, compared with $429.2 million in 1983 and $341.0 million in 1982. The largest portion was expended by Northern Telecom, whose net R&D spending in 1984 was $431.5 million (10.0 per cent of manufacturing revenues); Northern Telecom spent $324.8 million (10.0 per cent of revenues) in 1983 and $241.4 million (8.1 per cent of revenues) in 1982.

**Other Operations**

Other operations include international consulting services; printing, publishing and packaging, and real estate. 1984 revenues were up 30.3 per cent to $716.8 million, compared with $550.3 million in 1983 and $733.7 million in 1982. Operating expenses were $604.9 million in 1984, an increase of 27.7 per cent over the $473.6 million reported in 1983 and $589.5 million in 1982. The increase in revenues and expenses in 1984 reflects the acquisition during the year of The Case-Hoyt Corporation and of British American Bank Note Inc., subsidiaries in the printing business. The increase in net revenues for 1984 is due principally to the contribution by international activities which returned to the same level as in 1982, due to the second five-year management contract with the Kingdom of Saudi Arabia, signed in May 1983.

**Liquidity and Capital Resources**

The principal requirement for funds is for capital expenditures and to acquire new and additional investments.

Consolidated net capital expenditures during 1984 were $1,961.6 million, compared to $1,572.4 million in 1983 and $1,706.1 million in 1982. Substantially all such capital expenditures were made by subsidiaries, particularly Bell Canada and Northern Telecom.

Investments acquired amounted to $235.2 million (excluding working capital acquired of $38.1 million) during 1984 and $617.8 million (including $601.1 million in TCPL) during 1983. The amount for 1984 includes additional investments in TCPL of $108.8 million, as well as investments in British American Bank Note Inc. and The Case-Hoyt Corporation, which were acquired in exchange for BCE common shares with an aggregate value of $111.1 million.

*Bell Canada Enterprises Inc.*

BCE raised $408 million of common equity during 1984, principally by means of the Dividend Reinvestment and Stock Purchase Plan and the Optional Stock Dividend Program. BCE's short term borrowings amounted to $279.1 million at December 31, 1984, compared with $210.9 million at December 31, 1983. The increase in short term borrowings was due principally to additional investments during the year. Also in 1983, BCE issued its first public offering of common equity, selling a total of 12.6 million shares in the Canadian, U.S. and international markets, for net proceeds of $328.0 million after deducting underwriting commissions.

*Bell Canada*

Gross capital expenditures were $1,179 million in 1984, compared with $1,141 million in 1983, reflecting increased demand for service. Based on Bell Canada's current budget, it is estimated that Bell Canada's capital expenditure program in 1985 will increase by approximately 15 per cent to $1,350 million.

All of Bell Canada's cash requirements in 1985, except for less than one quarter of capital expenditures and the repayment of $264 million of long term debt which matures during the year, will be met by internally generated funds. External financing in 1985 is expected to include the offering of securities (other than common equity) to the public and the redemption by BCE of a portion of its Second Preferred Shares, Series One held by Bell Canada. During 1984 and 1983, external financing amounted to $325 million and $159 million, respectively. Debt financing in 1984 consisted of two $125 million debenture issues sold in Canada. Since the reorganization, BCE has provided funds by redeeming $75 million and $100 million in 1984 and 1983, respectively, of its Second Preferred Shares, Series One.

*Northern Telecom*

Capital expenditures in 1984 were $569.6 million, up 51.1 per cent from $376.9 million in 1983, and compared with $252.6 million in 1982. During 1984, Northern Telecom issued three series of preferred shares and the aggregate funds received after deducting net issue costs, amounted to $382.1 million. The increased revenues growth experienced by Northern Telecom during 1984 and the higher than expected level of orders required higher levels of working capital and investment in plant and equipment. Increases in Northern Telecom's inventories (up $471.7 million from 1983) and accounts receivable (up $369.6 million from 1983) were the principal reasons for the changes, in 1984, in working capital of $645.4 million, reflected in the BCE consolidated statement of changes in financial position. Capital expenditures for 1985 are expected to be about $660 million, reflecting continuing growth of the business. These investments will be met principally from internally generated funds and may be supplemented by external financing as required.

BELL CANADA ENTERPRISES INC.
DECEMBER 31, 1984

# Consolidated Financial Statements

## Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Bell Canada Enterprises Inc. and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the corporation and its subsidiaries, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies which govern ethical business conduct.



The board of directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the corporation's annual consolidated financial statements and recommends their approval to the board of directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

These financial statements have been examined by the shareholders' auditors, Touche Ross & Co., chartered accountants, and their report is presented below.

Donald R. Newman
Comptroller

## Auditors' Report

The Shareholders, Bell Canada Enterprises Inc.

We have examined the consolidated balance sheets of Bell Canada Enterprises Inc. and subsidiaries as at December 31, 1984 and 1983 and the consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1984 in accordance with Canadian generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec
February 15, 1985 (except for note 21,
which is dated March 1, 1985)

# Consolidated Income Statement

| | For the years ended December 31 | 1984 | 1983 | 1982 |
|---|---|---|---|---|
| | | millions of dollars | | |
| ***Telecommunications operations*** | Operating revenues | **$5,540.9** | $5,076.1 | $4,691.1 |
| | Operating expenses | **3,955.2** | 3,639.7 | 3,472.4 |
| | **Net revenues — telecommunications operations** | **1,585.7** | **1,436.4** | **1,218.7** |
| ***Telecommunications equipment manufacturing*** | Revenues (note 1) | **4,321.0** | 3,248.3 | 2,986.5 |
| | Cost of revenues | **2,642.1** | 2,069.7 | 2,081.5 |
| | Selling, general, administrative and other expenses | **1,209.2** | 881.5 | 701.6 |
| | | **3,851.3** | 2,951.2 | 2,783.1 |
| | **Net revenues — telecommunications equipment manufacturing** | **469.7** | **297.1** | **203.4** |
| ***Other operations*** | Operating revenues | **716.8** | 550.3 | 733.7 |
| | Operating expenses | **604.9** | 473.6 | 589.5 |
| | **Net revenues — other operations** | **111.9** | **76.7** | **144.2** |
| | **Total net revenues** | **2,167.3** | **1,810.2** | **1,566.3** |
| ***Other income (expenses)*** | Equity in net income of associated companies (note 2) | **115.1** | 24.2 | 23.5 |
| | Allowance for funds used during construction | **21.2** | 22.1 | 38.5 |
| | Interest — long term debt (note 3) | **(458.9)** | (447.6) | (484.3) |
| | — other debt | **(68.3)** | (25.8) | (36.3) |
| | Unrealized foreign currency losses (notes 1 and 18) | **(21.0)** | (12.2) | (17.2) |
| | Miscellaneous — net (note 3) | **112.5** | 125.2 | 128.6 |
| | | **(299.4)** | **(314.1)** | **(347.2)** |
| | Income before income taxes, minority interest and extraordinary items | **1,867.9** | 1,496.1 | 1,219.1 |
| | Income taxes (notes 3 and 4) | **747.2** | 632.9 | 538.7 |
| | Income before minority interest and extraordinary items | **1,120.7** | 863.2 | 680.4 |
| | Minority interest | **180.4** | 118.0 | 68.9 |
| | Income before extraordinary items | **940.3** | 745.2 | 611.5 |
| | Extraordinary items (note 5) | **—** | 84.6 | 3.9 |
| | **Net income** (note 18) | **940.3** | **829.8** | **615.4** |
| | Dividends on first preferred shares | **46.1** | 52.3 | 56.4 |
| | **Net income applicable to common shares** | **$ 894.2** | **$ 777.5** | **$ 559.0** |
| ***Earnings per share*** | Earnings per common share (notes 6 and 18) | | | |
| | before extraordinary items | **$4.03** | $3.46 | $3.05 |
| | after extraordinary items | **$4.03** | $3.88 | $3.07 |
| | Assuming full dilution | | | |
| | before extraordinary items | **$3.92** | $3.37 | $2.97 |
| | after extraordinary items | **$3.92** | $3.76 | $2.99 |
| | Dividends declared per common share | **$2.205** | $2.105 | $1.99 |
| | Average common shares outstanding (thousands) | **221,702** | 200,349 | 181,916 |

The important differences between Canadian and United States generally accepted accounting principles affecting the consolidated income statement are described and reconciled in note 18.

# Consolidated Balance Sheet

## Assets

| As at December 31 | | 1984 | 1983 |
|---|---|---|---|
| | | millions of dollars | |
| *Current assets* | Cash and temporary cash investments — at cost (approximates market) | $ 330.2 | $ 302.1 |
| | Accounts receivable — principally from customers, including $23.0 (1983 — $20.5) from associated companies, and less $62.3 (1983 — $43.0) for provision for uncollectibles | 1,965.1 | 1,475.4 |
| | Inventories (note 8) | 1,219.8 | 705.7 |
| | Other (principally prepaid expenses) | 119.6 | 148.9 |
| | | **3,634.7** | **2,632.1** |
| *Investments (at equity)* | Associated companies (notes 1 and 2) | 945.3 | 761.9 |
| | Non-consolidated finance subsidiaries (notes 1 and 3) | 478.1 | 420.6 |
| | | **1,423.4** | **1,182.5** |
| *Property, plant and equipment (note 9)* | At cost | 17,388.4 | 15,832.3 |
| | Less: Accumulated depreciation | 5,732.8 | 5,085.0 |
| | | **11,655.6** | **10,747.3** |
| *Other assets* | Long term notes and receivables | 350.4 | 83.1 |
| | Deferred charges — unrealized foreign currency losses, less amortization | 257.0 | 164.3 |
| | — other | 106.6 | 82.9 |
| | Cost of shares in subsidiaries in excess of underlying net assets, less amortization (note 1) | 58.3 | 48.2 |
| | | **772.3** | **378.5** |
| | **Total assets** | **$17,486.0** | **$14,940.4** |

On behalf of the Board of Directors:

Marcel Bélanger
Director

G. Allan Burton
Director

## Liabilities and Shareholders' Equity

| | As at December 31 | 1984 | 1983 |
|---|---|---|---|
| | | millions of dollars | |
| *Current liabilities* | Accounts payable | **$ 1,505.2** | $ 1,248.1 |
| | Advanced billing and payments | **93.5** | 90.9 |
| | Dividends payable | **146.4** | 125.9 |
| | Taxes accrued | **229.9** | 190.1 |
| | Interest accrued | **112.5** | 103.4 |
| | Debt due within one year (note 10) | **820.6** | 414.3 |
| | | **2,908.1** | **2,172.7** |
| *Long term debt* | Long term debt (including unrealized foreign currency losses) (note 11) | **4,469.3** | **4,418.2** |
| *Deferred credits* | Income taxes | **1,693.0** | 1,531.1 |
| | Other | **372.1** | 287.9 |
| | | **2,065.1** | **1,819.0** |
| *Minority interest in subsidiary companies* | Preferred shares | **423.8** | 36.4 |
| | Common shares | **925.3** | 763.6 |
| | | **1,349.1** | **800.0** |
| *Preferred shares* | Preferred shares (redeemable) (note 12) | **377.5** | **423.6** |
| *Common shareholders' equity* | Stated capital of common shares (note 13) | **2,912.0** | 2,347.6 |
| | Contributed surplus | **1,033.5** | 1,033.5 |
| | Retained earnings | **2,301.3** | 1,902.0 |
| | Foreign exchange adjustment (note 14) | **70.1** | 23.8 |
| | | **6,316.9** | **5,306.9** |
| *Commitments and contingent liabilities (notes 7 and 11)* | | | |
| | **Total liabilities and shareholders' equity** | **$17,486.0** | **$14,940.4** |

Donald R. Newman
Comptroller

# Consolidated Statement of Retained Earnings

| For the years ended December 31 | 1984 | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| **Balance at beginning of year** | **$1,902.0** | **$1,556.9** | **$1,365.1** |
| Net income | **940.3** | 829.8 | 615.4 |
| Excess of stated capital over cost of preferred shares purchased for cancellation (note 12) | **.1** | .2 | 1.0 |
| | **2,842.4** | **2,386.9** | **1,981.5** |
| Deduct: | | | |
| Dividends | | | |
| First preferred shares | **46.1** | 52.3 | 56.4 |
| Common shares | **491.0** | 423.9 | 363.4 |
| | **537.1** | **476.2** | **419.8** |
| Expenses of issues of share capital | **4.0** | 8.7 | 4.8 |
| | **541.1** | **484.9** | **424.6** |
| **Balance at end of year** | **$2,301.3** | **$1,902.0** | **$1,556.9** |

# Consolidated Statement of Changes in Financial Position

| | For the years ended December 31 | 1984 | 1983 | 1982 |
|---|---|---|---|---|
| | | | millions of dollars | |
| | **Sources of cash** | | | |
| *Operations* | Income before extraordinary items | **$ 940.3** | $ 745.2 | $ 611.5 |
| | Add expenses not requiring cash | | | |
| | Depreciation | **1,152.1** | 1,015.1 | 981.9 |
| | Deferred income taxes | **161.9** | 91.3 | 108.2 |
| | Other items | **184.2** | 132.7 | 99.7 |
| | Deduct income not providing cash | | | |
| | Equity in net income of associated companies in excess of dividends received | **(60.8)** | (8.8) | (10.5) |
| | Equity in earnings of non-consolidated finance subsidiaries | **(55.9)** | (49.8) | (57.0) |
| | Allowance for funds used during construction | **(21.2)** | (22.1) | (38.5) |
| | Extraordinary items | **—** | 22.0 | 3.9 |
| | **Total cash from operations** | **2,300.6** | **1,925.6** | **1,699.2** |
| *Changes in working capital (note 16)* | | **(645.4)** | **(102.6)** | **139.0** |
| *External financing* | Proceeds from long term debt | **285.3** | 17.0 | 134.7 |
| | Issue of common shares | | | |
| | Underwritten issue | **—** | 328.0 | — |
| | Dividend Reinvestment and Stock Purchase Plan | **379.2** | 245.0 | 104.8 |
| | Optional Stock Dividend Program | **17.6** | 15.0 | 11.3 |
| | Conversion of preferred shares | **44.4** | 96.4 | 67.8 |
| | On acquisition of subsidiaries | **111.1** | — | — |
| | Proceeds from issue of preferred shares | **—** | — | 232.5 |
| | Issues of preferred and common shares by subsidiaries to minority shareholders | **403.0** | 221.9 | 19.9 |
| | Increase (decrease) in | | | |
| | notes payable and bank advances | **223.2** | 203.9 | (61.1) |
| | amount due to non-consolidated finance subsidiaries | **(18.0)** | (59.4) | 67.7 |
| | Dividend from a non-consolidated finance subsidiary | **23.5** | 54.0 | — |
| | | **1,469.3** | **1,121.8** | **577.6** |
| *Miscellaneous* | | **167.6** | **145.2** | **110.8** |
| | **Total sources of cash** | **3,292.1** | **3,090.0** | **2,526.6** |
| | **Application of cash** | | | |
| | Capital expenditures (net) | **1,961.6** | 1,572.4 | 1,706.1 |
| | Increase in long term notes and receivables | **267.3** | 31.6 | 22.5 |
| | Investments (less working capital of $38.1 acquired in 1984) | **235.2** | 617.8 | 12.7 |
| | Reduction of long term debt | **171.6** | 243.1 | 196.0 |
| | Conversion of preferred shares | **44.4** | 96.4 | 67.8 |
| | Dividends declared by | | | |
| | The parent corporation | **537.1** | 476.2 | 419.8 |
| | Subsidiaries to minority shareholders | **46.8** | 29.0 | 22.0 |
| | **Total application of cash** | **3,264.0** | **3,066.5** | **2,446.9** |
| | **Cash and temporary cash investments** | | | |
| | Increase | **28.1** | 23.5 | 79.7 |
| | At beginning of year | **302.1** | 278.6 | 198.9 |
| | **At end of year** | **$ 330.2** | **$ 302.1** | **$ 278.6** |

# Notes to Consolidated Financial Statements



## 1. ACCOUNTING POLICIES

Effective April 28, 1983, pursuant to a reorganization, Bell Canada Enterprises Inc. (BCE), succeeded Bell Canada as the publicly-owned parent corporation. For periods prior to the effective date of the reorganization, the Bell Canada consolidated financial statements constitute, for comparative financial reporting purposes, the consolidated financial statements of BCE.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all figures are in Canadian dollars. These statements conform in all material respects with International Accounting Standards. Certain 1983 and 1982 figures have been reclassified to conform with the 1984 presentation.

With respect to the consolidated financial statements of BCE, the important differences between Canadian and United States generally accepted accounting principles are described and reconciled in note 18.

**Consolidation**

The consolidated financial statements include the accounts of all majority-owned subsidiaries, either direct or indirect, except for finance subsidiaries of Northern Telecom Limited. These non-consolidated finance subsidiaries and the investments in associated companies (20% to 50% owned) are accounted for by the equity method. The finance subsidiaries are not consolidated because their business is fundamentally different from that of the consolidated group.

At December 31, 1984, the direct subsidiaries of BCE (all 100% owned, unless otherwise indicated) included Bell Canada, Northern Telecom Limited (51.9%), Tele-Direct (Canada) Inc., Newfoundland Telephone Company Limited (53.3%), Télébec Ltée, Northern Telephone Limited (99.8%), Bell Canada International Inc., Bell Communications Systems Inc. and BCE Realty Inc.

The excess of cost of shares over acquired equity (goodwill) of subsidiary and associated companies is being amortized to earnings on a straight line basis over its estimated life. The amortization, over varying periods up to twenty years, amounted to $32.7 million in 1984 (1983 — $2.2, 1982 — $1.6).

Telecommunications equipment purchased by Bell Canada and the other telephone subsidiaries of BCE from Northern Telecom Limited and its subsidiaries is reflected in BCE's consolidated balance sheets at the cost to the purchasing companies and is included in telecommunications equipment manufacturing revenues in the consolidated income statement. To the extent that any income related to these revenues and those from associated companies has not been offset by depreciation or other operating expenses, it remains in consolidated retained earnings and consolidated income. This practice is generally followed with respect to activities of regulated industries. All other significant intercompany transactions have been eliminated in the consolidated financial statements.

Telecommunications equipment manufacturing revenues comprise:

| | **1984** | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| Revenues from: | | | |
| Bell Canada | **$ 763.9** | $ 683.0 | $ 796.9 |
| Other telephone subsidiary and associated companies of BCE | **82.4** | 60.2 | 67.9 |
| **Sub-total** | **846.3** | **743.2** | **864.8** |
| Revenues from others | **3,474.7** | 2,505.1 | 2,121.7 |
| **Total revenues** | **$4,321.0** | **$3,248.3** | **$2,986.5** |

## 1. ACCOUNTING POLICIES (continued)

**Depreciation**

Depreciation is generally computed on the straight line method using rates based on the estimated useful lives of the assets.

When depreciable telecommunications property is retired, the amount at which it has been carried in telecommunications property is charged to accumulated depreciation.

Depreciation expense, including amortization of property held under capital leases, for the year ended December 31, 1984 was $1,152.1 million (1983 — $1,015.1, 1982 — $981.9) and the composite rate was 7.15% (1983 — 6.86%, 1982 — 7.25%).

**Research and development**

All research and development costs incurred, which amounted to $543.1 million (1983 — $429.2, 1982 — $341.0), were charged to income.

**Translation of foreign currencies**

Foreign operations are classified as integrated or self-sustaining.

— Integrated foreign operations and transactions denominated in foreign currencies

Current assets (excluding inventories and prepaid expenses), current liabilities and long term monetary assets and liabilities are translated at the rates in effect at the balance sheet date; whereas other assets and other liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year except for cost of inventory used, depreciation and amortization, which are translated at exchange rates prevailing when the related assets were manufactured or acquired. Currency gains and losses are reflected in net income of the year, except for unrealized foreign currency gains and losses on long term monetary assets and liabilities which are reported as a deferred charge and amortized over the remaining lives of the related items on a straight line basis.

— Self-sustaining foreign operations

Assets and liabilities denominated in a foreign currency are translated in Canadian dollars at exchange rates in effect at the balance sheet date. The resulting gains or losses are accumulated in a separate component of shareholders' equity. Revenue and expense items are translated at average exchange rates prevailing during the year.

**Leases**

Leases are classified as capital or operating leases. When the corporation is the lessor, rental revenue from operating leases is recognized as service is provided to customers. For leases which qualify as sales-type leases, the sales revenue is recorded at the inception of the lease. When the corporation is the lessee, assets recorded under capital leases are amortized on a straight line method, using rates based on the estimated useful life of the asset or based on the lease term as appropriate. Obligations recorded under the capital leases are reduced by rental payments net of imputed interest.

## 1. ACCOUNTING POLICIES (continued)

**Inventories**

Inventories are valued at the lower of cost (calculated generally on a first-in, first-out basis) or net realizable value. The cost of finished goods and work-in-process inventories is comprised of material, labour and manufacturing overhead.

**Allowance for funds used during construction**

Regulatory authorities require the telephone companies to provide for a return on capital invested in new telephone plant while under construction by including an allowance for funds used during construction as an item of income during the construction period and also as an addition to the cost of the plant constructed. Such income is not realized in cash currently but will be realized over the service life of the plant.

**Other operations**

Other operations include consulting services under contract to clients, principally foreign telecommunications organizations. The accounting method generally known as percentage-of-completion is used in the determination of net income for such operations.

**Income taxes**

BCE and its subsidiaries use the tax allocation basis of accounting for income taxes.

## 2. INVESTMENTS IN ASSOCIATED COMPANIES

BCE uses the equity method of accounting for investments in companies where the ownership ranges from 20% to 50%. Under this accounting method, BCE's proportionate share of income of such companies, from the dates of their acquisition, net of amortization of excess purchase price over net assets acquired, is taken into income and added to the cost of investments. Dividends received by BCE from these companies reduce the carrying amounts of the investments. The principal associated company of BCE is TransCanada PipeLines Limited (TCPL) which was acquired in late 1983.

**Acquisition of TCPL**

In December 1983, BCE acquired 38,449,192 (adjusted for a two-for-one split in February 1984) common shares of TCPL at a cash price of $15.75 per share which represented approximately 42.3% of the outstanding shares at December 31, 1983. During 1984, 6,509,825 additional shares have been acquired (4,000,000 in the market, in July 1984, at $17.50 per share and 2,509,825 through TCPL's dividend reinvestment plan at an average price of $15.36 per share).

The excess of acquisition cost over BCE's proportionate interest in the fair value of net assets of TCPL acquired is being amortized on a straight line basis over 20 years. The impact on BCE's 1984 earnings of such amortization, net of depreciation and depletion adjustments, amounted to $9.5 million and the annual amount in future years is expected to be approximately $10.0 million.

## 2. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

The following is a summary of the investments in associated companies for the last three years:

| | | millions of dollars | | | | |
|---|---|---|---|---|---|---|
| | | TransCanada PipeLines Limited | Maritime Telegraph and Telephone Company, Limited (MT&T)(1) | The New Brunswick Telephone Company, Limited | Other companies | Total |
| **1982** | Balance - January 1, 1982 | — | $53.6 | $49.8 | $37.5 | $140.9 |
| | BCE's ownership | — | *35.5%* | *35.9%* | | |
| | Cost of investments | — | $ — | $ — | $ 3.2 | $ 3.2 |
| | Equity income | — | 9.1 | 7.7 | 6.7 | 23.5 |
| | Dividends received | — | (4.8) | (5.0) | (3.2) | (13.0) |
| | Other adjustments | — | (.9) | (.5) | (.1) | (1.5) |
| | Balance - December 31, 1982 | — | $57.0 | $52.0 | $44.1 | $153.1 |
| | BCE's ownership | — | *33.8%* | *34.3%* | | |
| **1983** | Cost of investments | $601.1 | $ — | $ — | $ .6 | $601.7 |
| | Equity income | 2.2 | 9.6 | 8.5 | 3.9 | 24.2 |
| | Dividends received | (2.4) | (5.2) | (5.3) | (2.5) | (15.4) |
| | Other adjustments | — | (.3) | (.5) | (.9) | (1.7) |
| | Balance - December 31, 1983 | $600.9 | $61.1 | $54.7 | $45.2 | $761.9 |
| | BCE's ownership | *42.3%* | *32.5%* | *32.5%* | | |
| **1984** | Cost of investments | $108.8 | $ — | $ — | $ 4.3 | $113.1 |
| | Equity income | 91.5 | 9.5 | 8.7 | 5.4 | 115.1 |
| | Dividends received | (42.1) | (5.6) | (5.6) | (1.0) | (54.3) |
| | Other adjustments | 18.1 | .1 | .1 | (8.8) | 9.5 |
| | Balance - December 31, 1984 | $777.2 | $65.1 | $57.9 | $45.1 | $945.3 |
| | BCE's ownership | *47.2%* | *31.4%* | *31.3%* | | |

(1) BCE owns 2,172,200 common shares of MT&T. However, under a statute passed in 1966 by the Legislature of Nova Scotia, no more than 1,000 shares may be voted by any one shareholder.

## 2. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

**Results and financial position of TCPL**

The following is a summary of TCPL's reported results and financial position:

| | **1984** | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| Revenues | **$4,231.5** | $3,470.7 | $3,466.9 |
| Net income | **$ 252.5** | $ 228.1 | $ 198.9 |
| Net income applicable to common shares of TCPL | **$ 211.0** | $ 191.8 | $ 161.1 |

| | **December 31, 1984** | December 31, 1983 |
|---|---|---|
| | millions of dollars | |
| Total assets | **$5,799.2** | $4,972.1 |
| Total liabilities | **$4,052.1** | $3,547.1 |
| Preferred shareholders' equity | **$ 442.9** | $ 344.1 |
| Common shareholders' equity | **$1,304.2** | $1,080.9 |

## 3. NON-CONSOLIDATED FINANCE SUBSIDIARIES

In the consolidated income statement of BCE, income from operations and foreign currency gains or losses of the finance subsidiaries of Northern Telecom Limited are included in miscellaneous other income; their income taxes are included with consolidated income taxes. The interest paid by Northern Telecom Limited and its consolidated subsidiaries to the finance subsidiaries, which is included in consolidated interest on long term debt, amounted to $37.9 million for the year ended December 31, 1984 (1983 — $44.0, 1982 — $61.2).

The following is a summary of the combined financial data of these companies:

| | **1984** | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| Income | **$86.2** | $78.4 | $80.1 |
| Income from operations | **$61.5** | $54.2 | $69.0 |
| Net income | **$55.9** | $49.8 | $57.0 |

| | **December 31, 1984** | December 31, 1983 |
|---|---|---|
| | millions of dollars | |
| Total assets | **$750.2** | $567.6 |
| Total liabilities | **$272.1** | $147.0 |
| Shareholders' equity | **$478.1** | $420.6 |

## 4. INCOME TAXES

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

| | **1984** | 1983 | 1982 |
|---|---|---|---|
| Statutory income tax rate in Canada | **47.6%** | 48.1% | 49.5% |
| (i) Allowance for funds used during construction, net of applicable depreciation adjustment | **(.1)** | (.3) | (1.1) |
| (ii) Reduction of Canadian Federal taxes applicable to manufacturing profits | **(.8)** | (.1) | (.3) |
| (iii) Equity in net income of associated companies | **(2.9)** | (.8) | (.9) |
| (iv) Tax incentives on research and development expenditures | **(2.7)** | (3.2) | (1.6) |
| (v) Inventory credit | **(.3)** | (.3) | (.3) |
| (vi) Difference between Canadian statutory rates and those applicable to foreign subsidiaries | **(.8)** | (.9) | (2.2) |
| (vii) Other | **—** | (.2) | 1.1 |
| **Effective income tax rate** | **40.0%** | **42.3%** | **44.2%** |

Details of the income taxes are as follows:

| | millions of dollars | | |
|---|---|---|---|
| Income before income taxes, minority interest and extraordinary items | | | |
| Canadian | **$1,499.7** | $1,273.7 | $ 961.1 |
| Foreign | **368.2** | 222.4 | 258.0 |
| **Total income before income taxes, minority interest and extraordinary items** | **$1,867.9** | **$1,496.1** | **$1,219.1** |
| Income taxes | | | |
| Canadian | **$ 634.1** | $ 569.0 | $ 453.0 |
| Foreign | **113.1** | 63.9 | 85.7 |
| **Total income taxes** | **$ 747.2** | **$ 632.9** | **$ 538.7** |
| Income taxes | | | |
| Current | **$ 585.3** | $ 541.6 | $ 430.5 |
| Deferred | **161.9** | 91.3 | 108.2 |
| **Total income taxes** | **$ 747.2** | **$ 632.9** | **$ 538.7** |

Deferred income taxes result principally from deductions for tax purposes, in respect of plant, being in excess of amounts currently charged to operations.

## 5. EXTRAORDINARY ITEMS

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | | millions of dollars | |
| (i) Reduction of income taxes, net of minority interest, arising from the utilization of prior years' tax losses of a subsidiary of Northern Telecom Limited. | — | $22.0 | $3.9 |
| (ii) Increase in book value in subsidiaries, reported on a consolidated basis, resulting principally from the issuance of common shares by Northern Telecom Limited upon exercise of warrants and conversions of convertible debt securities. Under United States practice, this amount would be reported before extraordinary items, as non-operating income. | — | 62.6 | — |
| | | **$84.6** | **$3.9** |

## 6. EARNINGS PER COMMON SHARE

Earnings per common share are based on weighted average shares outstanding.

For the computation of the earnings per share, assuming full dilution, the dividends on dilutive convertible preferred shares have been added back to income.

## 7. COMMITMENTS AS LESSEE

The future minimum lease payments under capital leases and operating leases that have initial non-cancellable lease terms in excess of one year as of December 31, 1984, are as follows:

| | millions of dollars | |
|---|---|---|
| | Capital leases | Operating leases |
| 1985 | $13.0 | $ 88.0 |
| 1986 | 12.3 | 65.9 |
| 1987 | 10.7 | 48.5 |
| 1988 | 9.0 | 31.9 |
| 1989 | 10.0 | 22.6 |
| Thereafter | 41.8 | 71.2 |
| Total future minimum lease payments | 96.8 | $328.1 |
| Less: Estimated executory costs | 22.2 | |
| Net minimum lease payments | 74.6 | |
| Less: Imputed interest | 29.6 | |
| **Present value of net minimum lease payments** | **$45.0** | |

Rental expense applicable to all operating leases for the year 1984 was $191.8 million (1983 — $166.1, 1982 — $153.0).

## 8. INVENTORIES

| | December 31, 1984 | December 31, 1983 |
|---|---|---|
| | millions of dollars | |
| Raw materials | $ 432.5 | $276.3 |
| Work-in-process | 444.4 | 269.5 |
| Finished goods | 342.9 | 159.9 |
| | $1,219.8 | $705.7 |

## 9. PROPERTY, PLANT AND EQUIPMENT

| | December 31, 1984 | | December 31, 1983 | |
|---|---|---|---|---|
| | millions of dollars | | | |
| | Cost | Net of accumulated depreciation | Cost | Net of accumulated depreciation |
| Telecommunications operations | | | | |
| Buildings, plant and equipment | $14,641.7 | $ 9,811.9 | $13,820.9 | $ 9,420.6 |
| Land | 90.4 | 90.4 | 90.2 | 90.2 |
| Plant under construction | 243.6 | 243.6 | 274.9 | 274.9 |
| Material and supplies | 71.5 | 71.5 | 76.7 | 76.7 |
| | 15,047.2 | 10,217.4 | 14,262.7 | 9,862.4 |
| Telecommunications equipment manufacturing | | | | |
| Buildings, plant and equipment | 1,899.1 | 1,114.5 | 1,405.3 | 773.6 |
| Land | 28.8 | 28.8 | 27.9 | 27.9 |
| | 1,927.9 | 1,143.3 | 1,433.2 | 801.5 |
| Other operations | | | | |
| Buildings, plant and equipment | 327.9 | 209.5 | 130.0 | 77.0 |
| Land | 85.4 | 85.4 | 6.4 | 6.4 |
| | 413.3 | 294.9 | 136.4 | 83.4 |
| | $17,388.4 | $11,655.6 | $15,832.3 | $10,747.3 |
| Capitalized leases included in the above amounts | $ 70.2 | $ 41.4 | $ 66.9 | $ 40.2 |

## 10. DEBT DUE WITHIN ONE YEAR

| | December 31, 1984 | December 31, 1983 |
|---|---|---|
| | millions of dollars | |
| Long term debt—current portion | $291.9 | $108.8 |
| Notes payable | 513.0 | 264.4 |
| Bank advances | 15.7 | 41.1 |
| | $820.6 | $414.3 |

## 11. LONG TERM DEBT

**Bell Canada**

| Rate of interest | 4.8-7 7/8% | 8-9 7/8% | 10-12 3/4% | 13 3/8-16% | Total outstanding December 31, 1984 |
|---|---|---|---|---|---|
| | millions of dollars | | | | |
| First mortgage bonds | | | | | |
| Due 1985 | $ — | $ 2.0 | $ 58.0 | $ — | $ 60.0 |
| 1986 | 35.0 | 2.0 | — | — | 37.0 |
| 1987 | 35.0 | 2.0 | — | — | 37.0 |
| 1988 | 116.1 | 2.0 | — | — | 118.1 |
| 1989 | 66.1 | 11.4 | — | — | 77.5 |
| 1990-1999 | 490.9 | 619.5 | 72.0 | — | 1,182.4 |
| 2000-2004 | 21.1 | 85.9 | — | — | 107.0 |
| | **764.2** | **724.8** | **130.0** | **—** | **1,619.0** |
| Debentures and notes | | | | | |
| Due 1985 | — | — | 200.0 | — | 200.0 |
| 1986 | — | 79.3 | 60.0 | — | 139.3 |
| 1987 | 134.2 | — | — | — | 134.2 |
| 1988 | 2.0 | — | — | — | 2.0 |
| 1989 | 2.0 | — | — | 100.0 | 102.0 |
| 1990-1993 | 44.7 | — | 22.0 | 198.2 | 264.9 |
| 2000-2010 | — | 878.6 | 300.0 | 389.3 | 1,567.9 |
| | **182.9** | **957.9** | **582.0** | **687.5** | **2,410.3** |
| Other | | | | | |
| Mortgage (due in instalments to 1995 — 9% interest) | | | | | 37.8 |
| Obligations under capital leases | | | | | 21.2 |
| **Sub-total — Bell Canada** | | | | | **4,088.3** |
| **Other subsidiaries** | | | | | |
| (including $297.2 million due to non-consolidated finance subsidiaries) | | | | | **672.9** |
| **Sub-total — consolidated** | | | | | **4,761.2** |
| Less: Due within one year (including $13.8 million due to non-consolidated finance subsidiaries) | | | | | 291.9 |
| **Total — consolidated** | | | | | **$4,469.3** |

The first mortgage bonds of Bell Canada are secured by a first mortgage and a floating charge of Bell Canada.

First mortgage bonds of Bell Canada include (US) $518 million maturing from 1988 to 2004. Debentures and notes include (US) $910 million maturing from 1986 to 2010 and 100 million Swiss Francs maturing in 1993.

At December 31, 1984, the debt of non-consolidated finance subsidiaries of Northern Telecom Limited, due to third parties, was $93.9 million.

At December 31, 1984, the amounts of long term debt payable by the corporation in the years 1985 to 1989 are $291.9, $218.3, $200.0, $137.9 and $369.8 million, respectively.

## 12. PREFERRED SHARES

**Authorized**

The restated articles of incorporation of BCE provide for an unlimited number of first preferred shares and second preferred shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series and the conditions attaching thereto prior to their issue.

| | December 31, 1984 | | December 31, 1983 | |
|---|---|---|---|---|
| | dollars in millions | | | |
| **Outstanding** | Number of shares | Stated capital | Number of shares | Stated capital |
| First Preferred Shares | | | | |
| $2.25 shares, series C | **1,135,535** | **$ 34.1** | 1,191,390 | $ 35.7 |
| $1.80 shares, series F | **3,042,678** | **60.8** | 3,086,950 | 61.7 |
| $1.96 shares, series G | **354,414** | **8.9** | 511,046 | 12.8 |
| $2.05 shares, series H | **1,884,484** | **37.7** | 3,857,914 | 77.2 |
| $2.70 shares, series I | **11,802,733** | **236.0** | 11,808,698 | 236.2 |
| **Aggregate stated capital of outstanding first preferred shares** | | **$377.5** | | **$423.6** |
| **Second Preferred Shares, Series One*** | **3,037,427** | **$303.7** | **3,787,427** | **$378.7** |

* These shares have an annual dividend of $9 per share. Upon consolidation, these shares and related dividends have been eliminated in the consolidated financial statements of BCE, because they are held by Bell Canada, a wholly-owned subsidiary. These shares have a redemption value equal to their stated capital and under applicable corporate legislation have to be disposed of by Bell Canada or redeemed by BCE within five years from April 28, 1983.

Following is a brief summary of the material characteristics of the first preferred shares:

| | Redeemable at BCE's option | Preferred to common conversion basis | Convertible to | Number of shares converted at December 31, 1984 | Purchase fund requirements(e) |
|---|---|---|---|---|---|
| **First Preferred Shares**(a) | | | | | |
| $2.25 shares | Currently at $31.50 per share to Oct. 1, 1988 and at reducing amounts thereafter to $30 after Oct. 1, 2003. | 1 for .84 | Dec. 31, 1992 | 3,465 including 1984 — 1,055 (1983 — 2,410) | Annually 51,000 shares |
| $1.80 shares | On Oct. 2, 1986 at $21.20 per share to Oct. 2, 1991 and at reducing amounts thereafter to $20 after Oct. 2, 2006. | 1 for .67 | Dec. 31, 1992 | 52,122 including 1984 — 44,272 (1983 — 7,850) | Quarterly 26,250 shares |
| $1.96 shares | Currently for partial redemption at $26.50 per share to May 1, 1985 and at reducing amounts thereafter to $25 after May 1, 1990.(b) | 1 for 1.2 | May 1, 1990 | 6,645,586 including 1984 — 156,632 (1983 — 281,156) (1982 — 828,865) | Quarterly 87,500 shares commencing in 1986 |

## 12. PREFERRED SHARES (continued)

| | Redeemable at BCE's option | Preferred to common conversion basis | Convertible to | Number of shares converted at December 31, 1984 | Purchase fund requirements(e) |
|---|---|---|---|---|---|
| $2.05 shares | On April 15, 1986 at $21.50 per share to April 15, 1987 and at reducing amounts thereafter to $20 after April 15, 1992.(c) | 1 for 1 | Apr. 15, 1992 | 8,115,516 including 1984 — 1,973,430 (1983 — 4,454,467) (1982 — 1,681,186) | Quarterly 125,000 shares commencing in 1988 |
| $2.70 shares | On March 15, 1988 at $21.20 per share to March 15, 1989 and at reducing amounts thereafter to $20 after March 15, 1992.(d) | 1 for 1 | Mar. 15, 1992 | 9,767 including 1984 — 5,965 (1983 — 3,702) (1982 — 100) | (e)(2) |

(a) All the first preferred shares are convertible into common shares. The first preferred shareholders are entitled to cumulative dividends at the respective rates set out in the titles of each series and have one vote per share.

(b) Since fewer than 1,050,000 $1.96 preferred shares remain outstanding, BCE may redeem all, but not part, of such shares at $25 per share at any time.

(c) In the event that not more than 1,500,000 $2.05 preferred shares remain outstanding, BCE may redeem all, but not part, of such shares at $20 per share.

(d) In the event that not more than 1,771,875 $2.70 preferred shares remain outstanding, BCE may redeem all, but not part, of such shares at $20 per share.

(e) Purchase funds:

Under the terms and conditions of the purchase funds,

(1) BCE shall make all reasonable efforts to purchase the required number of shares for cancellation in the open market at a price not exceeding the stated capital per share plus costs of purchase. To the extent that BCE is unable to purchase such shares, the undertaking is cumulative to a maximum of two years or eight quarters as the case may be, including the current period requirements.

At December 31, 1984 —561,000 $2.25 preferred shares had been purchased and cancelled, including 54,800 shares in 1984, of which 3,800 are applicable to the year 1983 and the remainder to 1984.

—405,200 $1.80 preferred shares had been purchased and cancelled. No shares were purchased during the year ended December 31, 1984.

(2) BCE shall make all reasonable efforts to purchase for cancellation in the open market 1.25% of the $2.70 preferred shares outstanding on March 15, 1992 in each calendar quarter, commencing with the calendar quarter ending June 30, 1992, at a price not exceeding $20 per share plus costs of purchase. To the extent that BCE is unable to purchase such shares, the undertaking shall be cumulative in the calendar quarters of the same calendar year after which it shall be extinguished.

Taking into account purchases to December 31, 1984, the maximum aggregate stated capital of shares that BCE may be required to purchase, if available pursuant to the terms of the purchase funds, in the years 1985 to 1989 are $7.3, $12.4, $3.7, $13.6 and $13.6 million, respectively.

## 13. COMMON SHARES

**Authorized:** an unlimited number of common shares

| | December 31, 1984 | | December 31, 1983 | |
|---|---|---|---|---|
| | dollars in millions | | | |
| | Number of shares | Stated capital | Number of shares | Stated capital |
| **Outstanding** | **233,482,383** | **$2,912.0** | **215,037,782** | **$2,347.6** |

Number of common shares issued during the last three years are as follows:

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| For cash | | | |
| Underwritten issue | — | 12,600,000 | — |
| Shareholder Dividend | | | |
| Reinvestment and Stock Purchase Plan | **11,668,509** | 8,752,125 | 5,507,933 |
| Employees' Savings Plan (1966) | **480,461** | 629,364 | 585,410 |
| Conversion of preferred shares | **2,197,894** | 4,804,639 | 3,509,399 |
| Optional Stock Dividend Program* | **556,228** | 570,320 | 597,677 |
| On acquisition of subsidiaries | **3,541,509** | — | — |
| | **18,444,601** | **27,356,448** | **10,200,419** |

* Under the Optional Stock Dividend Program, shareholders may elect to receive dividends on common shares in the form of additional common shares.

Common shares reserved at December 31, 1984 — 32,273,512:

11,980,073 shares for issuance under the Shareholder Dividend Reinvestment and Stock Purchase Plan.

465,785 shares for issuance under the Employees' Savings Plan (1966).

17,104,957 shares for issuance upon conversion of all convertible preferred shares.

2,722,697 shares for issuance under the Optional Stock Dividend Program.

## 14. FOREIGN EXCHANGE ADJUSTMENT

Following is an analysis of the foreign exchange adjustment included in the common shareholders' equity resulting from self-sustaining foreign operations:

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| **Balance at beginning of year** | **$23.8** | **$22.3** | **$ 9.8** |
| Translation adjustments for the year | **46.3** | 1.5 | 12.5 |
| **Balance at end of year** | **$70.1** | **$23.8** | **$22.3** |

## 15. UNUSED BANK LINES OF CREDIT

At December 31, 1984, unused bank lines of credit, generally available at the prime bank rate of interest, amounted to approximately $1,265 million.

## 16. CHANGES IN WORKING CAPITAL

Cash provided (applied) by changes in other working capital components:

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| **(Increase) decrease in current assets:** | | | |
| Accounts receivable | **$(489.7)** | $(181.0) | $(20.4) |
| Inventories | **(514.1)** | (98.7) | 32.5 |
| Other current assets | **29.3** | (33.0) | (32.8) |
| **Increase (decrease) in current liabilities:** | | | |
| Accounts payable | **257.1** | 180.5 | 149.9 |
| Advanced billing and payments | **2.6** | (13.1) | 20.9 |
| Dividends payable | **20.5** | 18.9 | 11.8 |
| Taxes accrued | **39.8** | 27.0 | (23.7) |
| Interest accrued | **9.1** | (3.2) | .8 |
| | **$(645.4)** | **$(102.6)** | **$139.0** |

## 17. QUARTERLY FINANCIAL DATA

Summarized consolidated quarterly financial data (in millions of dollars, except per share amounts):

| | Three months ended | | | |
|---|---|---|---|---|
| **1984** | Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
| Telecommunications operations | | | | |
| Operating revenues | $1,340.2 | $1,372.3 | $1,399.3 | $1,429.1 |
| Net revenues | 365.4 | 391.4 | 426.0 | 402.9 |
| Telecommunications equipment manufacturing | | | | |
| Revenues | 882.5 | 1,034.9 | 1,014.7 | 1,388.9 |
| Gross profit | 336.9 | 407.5 | 394.8 | 539.7 |
| Net revenues | 73.2 | 110.4 | 103.1 | 183.0 |
| Other operations | | | | |
| Operating revenues | 136.0 | 152.9 | 195.0 | 232.9 |
| Net revenues | 19.2 | 24.3 | 35.4 | 33.0 |
| **Total revenues** | **2,358.7** | **2,560.1** | **2,609.0** | **3,050.9** |
| Net income | 202.8 | 227.4 | 248.3 | 261.8 |
| Net income applicable to common shares | 190.7 | 215.9 | 237.0 | 250.6 |
| Earnings per common share | $.88 | $.98 | $1.06 | $1.10 |
| Assuming full dilution | $.86 | $.96 | $1.03 | $1.07 |
| Average common shares outstanding (thousands) | 216,339 | 219,279 | 222,739 | 228,366 |

## 17. QUARTERLY FINANCIAL DATA (continued)

(millions of dollars, except per share amounts)

| 1983 | Three months ended Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
|---|---|---|---|---|
| Telecommunications operations | | | | |
| Operating revenues | $1,198.7 | $1,234.4 | $1,258.0 | $1,385.0 |
| Net revenues | 319.2 | 335.8 | 374.1 | 407.3 |
| Telecommunications equipment manufacturing | | | | |
| Revenues | 762.8 | 799.6 | 727.2 | 958.7 |
| Gross profit | 257.9 | 298.1 | 274.8 | 347.8 |
| Net revenues | 71.2 | 80.1 | 59.8 | 86.0 |
| Other operations | | | | |
| Operating revenues | 74.3 | 208.9 | 121.8 | 145.3 |
| Net revenues | 4.9 | 39.2 | 17.9 | 14.7 |
| **Total revenues** | **2,035.8** | **2,242.9** | **2,107.0** | **2,489.0** |
| Income before extraordinary items | 151.8 | 188.1 | 186.8 | 218.5 |
| Net income | 183.9 | 198.3 | 198.7 | 248.9 |
| Net income applicable to common shares | 170.0 | 185.1 | 185.9 | 236.5 |
| Earnings per common share | | | | |
| before extraordinary items | $.73 | $.91 | $.84 | $ .98 |
| after extraordinary items | $.90 | $.96 | $.90 | $1.12 |
| Assuming full dilution | | | | |
| before extraordinary items | $.71 | $.88 | $.82 | $ .95 |
| after extraordinary items | $.87 | $.93 | $.87 | $1.08 |
| Average common shares outstanding (thousands) | 189,667 | 192,716 | 207,304 | 211,392 |



## 18. RECONCILIATION OF RESULTS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) IN CANADA WITH UNITED STATES GAAP

(millions of dollars, except per share amounts)

| 1984 | Three months ended Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
|---|---|---|---|---|
| Net income, as reported | $202.8 | $227.4 | $248.3 | $261.8 |
| Adjustments | | | | |
| Foreign exchange (a) | (37.6) | (37.7) | 13.1 | (9.1) |
| Other | (4.0) | 6.0 | 6.1 | (10.7) |
| **Net income — U.S. GAAP** | **$161.2** | **$195.7** | **$267.5** | **$242.0** |
| **Earnings per common share — U.S. GAAP** | $.69 | $.84 | $1.15 | $1.01 |

## 18. RECONCILIATION OF RESULTS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) IN CANADA WITH UNITED STATES GAAP (continued)

(millions of dollars, except per share amounts)

| | Three months ended | | | |
|---|---|---|---|---|
| **1983** | Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
| Income before extraordinary items, as reported | $151.8 | $188.1 | $186.8 | $218.5 |
| Adjustments | | | | |
| Foreign exchange (a) | 2.0 | 11.2 | (3.0) | (8.9) |
| Extraordinary items (b) | 27.9 | 5.7 | 7.4 | 21.6 |
| Income before extraordinary items — U.S. GAAP | 181.7 | 205.0 | 191.2 | 231.2 |
| Extraordinary items (note 5 (i)) | 4.2 | 4.5 | 4.5 | 8.8 |
| **Net income — U.S. GAAP** | **$185.9** | **$209.5** | **$195.7** | **$240.0** |
| **Earnings per common share — U.S. GAAP** | | | | |
| before extraordinary items | $.89 | $1.00 | $.87 | $1.04 |
| after extraordinary items | $.91 | $1.02 | $.89 | $1.08 |

| | Year ended December 31 | | |
|---|---|---|---|
| | **1984** | 1983 | 1982 |
| Income before extraordinary items, as reported | **$940.3** | $745.2 | $611.5 |
| Adjustments | | | |
| Foreign exchange (a) | **(71.3)** | 1.3 | (27.8) |
| Extraordinary items (b) | **—** | 62.6 | — |
| Other | **(2.6)** | — | — |
| Income before extraordinary items — U.S. GAAP | **866.4** | 809.1 | 583.7 |
| Extraordinary items (note 5 (i)) | **—** | 22.0 | 3.9 |
| **Net income — U.S. GAAP** | **$866.4**(c)(d) | **$831.1** | **$587.6** |
| **Earnings per common share — U.S. GAAP** | | | |
| before extraordinary items | **$3.70**(c) | $3.78 | $2.90 |
| after extraordinary items | **$3.70**(c) | $3.89 | $2.92 |

(a) Difference arising from the method of accounting, under Canadian GAAP, for unrealized foreign currency gains and losses on long term debt and United States Financial Accounting Standards Board's Statement No. 52 - Foreign Currency Translation.

(b) These amounts, reported as extraordinary items in accordance with Canadian GAAP, would be reported before extraordinary items under U.S. GAAP (see note 5 (ii)).

(c) The above table does not reflect any adjustment that may be required under U.S. GAAP, by the application to TCPL's oil and gas producing activities of the full cost ceiling test prescribed by the Securities and Exchange Commission since the information required to make the computation was not available as of the date of publication of the financial statements. Any adjustment will be reflected in BCE's 1985 first quarter results as reported in U.S. GAAP and, if material, will be disclosed in BCE's 1984 Form 10-K.

(d) If early retirement incentive plans in 1984 had been treated in accordance with the United States Financial Accounting Standards Board's Statement No. 74: Accounting for Special Termination Benefits Paid to Employees, net income for that year would have decreased by $30.3 million.

## 19. PENSIONS

BCE and most of its subsidiary companies have non-contributory defined benefit plans which provide for service pensions based on length of service and rates of pay for substantially all their employees.

The policy is to fund pension costs through contributions based on various actuarial cost methods as permitted by pension regulatory bodies. Such costs are funded as accrued and reflect actuarial assumptions regarding salary projection and future service benefits. The provision for pension costs was $271.3 million for the year ended December 31, 1984 (1983 — $271.8, 1982 — $270.6).

In compliance with the United States Financial Accounting Standards Board's Statement No. 36, the disclosure of the following information is required to exclude actuarial assumptions regarding salary projection and future service benefits. A comparison of accumulated plan benefits and plan net assets is provided as follows:

| | December 31, 1983 | December 31, 1982 |
|---|---|---|
| | millions of dollars | |
| Actuarial present value of accumulated plan benefits | | |
| Vested | $2,491.8 | $2,197.2 |
| Non-vested | 401.0 | 354.0 |
| | **$2,892.8** | **$2,551.2** |
| **Net assets available for benefits — at market value** | **$3,896.8** | **$3,131.0** |

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7% for both 1983 and 1982.

In addition to pension benefits, BCE and its subsidiary companies provide certain health care and life insurance benefits for retired employees. The costs of such benefits, excluding life insurance, are paid out of current income, as benefits are received, and in 1984 amounted to $9.3 million (1983 — $7.6, 1982 — $5.5). Life insurance for retired employees is largely funded during their working lives.

## 20. INDUSTRY SEGMENTS INFORMATION

BCE and its subsidiaries operate principally in two reportable business segments:

1) Telecommunications operations, which includes the provision of voice, data, image, radio and television transmission, public exchange and private line teletypewriter and other telecommunications services, including directory operations; and

2) Telecommunications equipment manufacturing, which involves the design, development, manufacture and marketing of central office switching equipment, integrated business systems and terminals, transmission equipment, cable and outside plant products, and other telecommunications products and services.

In addition, "Other operations" includes international consulting services; printing, publishing and packaging, real estate and other fields.

## 20. INDUSTRY SEGMENTS INFORMATION (continued)

The following table sets forth revenues, net revenues and supplementary data for each of the corporation's business segments for the years ended December 31:

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| By segment | | | |
| Revenues | | | |
| Telecommunications operations | **$ 5,540.9** | $5,076.1(a) | $4,691.1(a) |
| Telecommunications equipment manufacturing | **4,321.0**(b) | 3,248.3(b) | 2,986.5(b) |
| Other operations | **716.8** | 550.3 | 733.7 |
| | **$10,578.7** | **$8,874.7** | **$8,411.3** |
| Intersegment revenues | | | |
| Telecommunications operations | **$ —** | $ — | $ — |
| Telecommunications equipment manufacturing | **57.6** | 55.7 | 49.0 |
| Other operations | **55.1** | 55.1 | 44.8 |
| Eliminations | **(112.7)** | (110.8) | (93.8) |
| | **$ —** | **$ —** | **$ —** |
| Total revenues | | | |
| Telecommunications operations | **$ 5,540.9** | $5,076.1 | $4,691.1 |
| Telecommunications equipment manufacturing | **4,378.6** | 3,304.0 | 3,035.5 |
| Other operations | **771.9** | 605.4 | 778.5 |
| Eliminations | **(112.7)** | (110.8) | (93.8) |
| | **$10,578.7** | **$8,874.7** | **$8,411.3** |
| Total net revenues | | | |
| Telecommunications operations | **$ 1,568.4** | $1,416.6 | $1,211.5 |
| Telecommunications equipment manufacturing | **475.3** | 306.8 | 208.0 |
| Other operations | **123.6** | 86.8(a) | 146.8(a) |
| | **$ 2,167.3** | **$1,810.2** | **$1,566.3** |

## 20. INDUSTRY SEGMENTS INFORMATION (continued)

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| By segment | | | |
| Identifiable assets | | | |
| Telecommunications operations | **$11,212.6** | $10,571.1 | $10,090.2 |
| Telecommunications equipment manufacturing | **3,355.8** | 2,213.2 | 1,797.0 |
| Other operations | **681.1** | 536.2 | 577.6 |
| Eliminations | **(258.4)** | (198.8) | (164.1) |
| | **14,991.1** | 13,121.7 | 12,300.7 |
| Investments | **1,423.4** | 1,182.5 | 575.4 |
| General corporate assets | **1,071.5**(c) | 636.2(c) | 548.0(c) |
| **Total assets as at December 31** | **$17,486.0** | **$14,940.4** | **$13,424.1** |
| Depreciation | | | |
| Telecommunications operations | **$ 922.9** | $ 849.4 | $ 799.0 |
| Telecommunications equipment manufacturing | **211.0** | 156.0 | 175.1 |
| Other operations and general corporate | **18.2** | 9.7 | 7.8 |
| **Total depreciation** | **$ 1,152.1** | **$ 1,015.1** | **$ 981.9** |
| Gross capital expenditures | | | |
| Telecommunications operations | **$ 1,262.8** | $ 1,211.1 | $ 1,496.0 |
| Telecommunications equipment manufacturing | **569.6** | 376.9 | 252.6 |
| Other operations and general corporate | **123.9** | 9.1 | 11.0 |
| **Total capital expenditures** | **$ 1,956.3** | **$ 1,597.1** | **$ 1,759.6** |

The following table sets forth information by geographic area for the years ended December 31:

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| By geographic area (d) | | | |
| Revenues | | | |
| Canada | **$ 7,151.9** | $ 6,506.9 | $ 6,221.2 |
| U.S.A. | **2,952.3** | 1,929.1 | 1,512.4 |
| Other | **474.5** | 438.7 | 677.7 |
| | **$10,578.7** | **$ 8,874.7** | **$ 8,411.3** |
| Transfers between area | | | |
| Canada | **$ 828.1** | $ 520.2 | $ 249.9 |
| U.S.A. | **121.4** | 65.9 | 93.8 |
| Other | **33.1** | 19.7 | 17.1 |
| Eliminations | **(982.6)** | (605.8) | (360.8) |
| | **$ —** | **$ —** | **$ —** |
| Total revenues | | | |
| Canada | **$ 7,980.0** | $ 7,027.1 | $ 6,471.1 |
| U.S.A. | **3,073.7** | 1,995.0 | 1,606.2 |
| Other | **507.6** | 458.4 | 694.8 |
| Eliminations | **(982.6)** | (605.8) | (360.8) |
| | **$10,578.7** | **$ 8,874.7** | **$ 8,411.3** |

## 20. INDUSTRY SEGMENTS INFORMATION (continued)

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| | millions of dollars | | |
| By geographic area (d) | | | |
| Total net revenues before research and development expenses | | | |
| Canada | **$ 2,152.1** | $ 1,927.0 | $ 1,684.2 |
| U.S.A. | **658.6** | 387.4 | 198.4 |
| Other | **104.2** | 77.4 | 151.0 |
| | **2,914.9** | 2,391.8 | 2,033.6 |
| Research and development expenses | **(543.1)** | (429.2) | (341.0) |
| General corporate expenses | **(204.5)** | (152.4) | (126.3) |
| Other income (expenses) | **(299.4)** | (314.1) | (347.2) |
| **Income before income taxes, minority interest and extraordinary items** | **$ 1,867.9** | **$ 1,496.1** | **$ 1,219.1** |

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| Identifiable assets | | | |
| Canada | **$13,636.2** | $11,926.8 | $11,187.2 |
| U.S.A. | **2,307.8** | 1,324.4 | 1,128.2 |
| Other | **218.7** | 528.5 | 565.5 |
| Eliminations | **(1,171.6)** | (658.0) | (580.2) |
| | **14,991.1** | 13,121.7 | 12,300.7 |
| Investments | **1,423.4** | 1,182.5 | 575.4 |
| General corporate assets | **1,071.5**(c) | 636.2(c) | 548.0(c) |
| **Total assets as at December 31** | **$17,486.0** | **$14,940.4** | **$13,424.1** |

(a) Telecommunications operations segment revenues include $0.2 million and $34.6 million for 1983 and 1982, respectively, consisting principally of contract service agreement revenues and contribution to overhead, which are also included as operating expenses in Other net revenues. These items are not eliminated on consolidation.

(b) Telecommunications equipment manufacturing includes revenues of $846.3 million (1983 — $743.2, 1982 — $864.8) from Bell Canada and other telephone subsidiary and associated companies of BCE. These revenues are not eliminated on consolidation. Telecommunications equipment manufacturing revenues of Northern Telecom Limited from Bell Canada are at sale prices and terms as low as those offered to the most favoured customers of Northern Telecom Limited for like materials and services under comparable conditions.

(c) General corporate assets are principally cash, temporary cash investments and deferred unrealized foreign currency losses.

(d) The point of origin (the location of the selling organization) of revenues and the location of the assets determine the geographic area.

## 21. SUBSEQUENT EVENT

On February 13, 1985, a cash take-over bid by BCE to purchase common shares of Daon Development Corporation (Daon) expired. 41 million common shares of Daon were taken up by BCE under the offer at a price of $3.00 per share, representing approximately 62.8% of issued and outstanding common shares of Daon.

In addition, on March 1, 1985, BCE purchased from Daon 13 million of its common shares, also at $3.00 per share, under the terms of an option granted to BCE on January 18, 1985. Taking into account this purchase, BCE owns 69% of the issued and outstanding common shares of Daon.

## Supplementary Information
## Reporting the Effects of Changing Prices
(Unaudited)

The effects of changing prices are not fully and immediately evident in conventional historical cost financial statements. The Canadian Institute of Chartered Accountants (CICA) has adopted recommendations with respect to disclosure of supplementary information to report certain effects of changing prices on an enterprise.

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*Bell Canada Enterprises Inc. (BCE) recommends caution in interpreting these disclosures for the following reasons:*

*(i) The CICA's current cost reporting standards are still in an experimental state. To date, no general consensus has emerged on the concepts, interpretation, or usefulness of the information. BCE believes that, while the data may provide insights into the operations of the corporation, they may not be suitable for purposes of valuation of the corporation or its assets, or for reformulation into traditional financial measures or ratios.*

*(ii) The determination of current costs is a subjective process. It is based on management's estimates and assumptions regarding replacement costs, impacts of technology and price movements. Intercompany comparability, even within an industry, may not be achievable in the near term.*

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### Application of Current Cost Accounting to BCE

The difference between historical cost and current cost accounting, as applied by BCE, relates to the basis on which the consumption of physical assets is measured. With depreciation expense and cost of revenues computed by reference to the estimated current replacement cost of fixed assets and inventory having equivalent operating capability, the measurement of income on a current cost basis provides an indication of the corporation's ability to maintain its level of operating capability.

The financing adjustment is an amount that is added back when determining income applicable to common shareholders on a current cost basis under an operating capability concept of capital. It gives recognition to the corporation's practice of financing its assets in part with borrowed funds, thereby alleviating the need for the common shareholders to be charged with the provision of all funds that may be required to maintain operating capability.

BCE has no reason to expect that the maintenance of its regulated or non-regulated operating capability will become impaired, and considers that the disclosure of income on a current cost basis is appropriate for purposes of complying with the CICA recommendations.

### Measurement Techniques

A number of measurement techniques have been used to determine the current cost of property, plant and equipment. The techniques include externally and internally produced price indexes, appraisals, direct and reference pricing techniques, and engineering estimates of the impact of significant technological change. The depreciation rates used reflect the same methods and estimated lives as are used in the historical cost financial statements.

The cost of revenues adjustment reflects the general movement in the costs of manufacturing inputs between the dates of their purchase or application to manufacturing processes and the dates of sale of the related finished products. The calculations are based on indexes generated as part of the ongoing management control process.

## Consolidated Income Applicable to Common Shareholders on a Current Cost Basis Under an Operating Capability Concept of Capital (unaudited)

| For the years ended December 31 | 1984 | 1983* |
|---|---|---|
| | millions of dollars | |
| **Net income applicable to common shares as reported in the historical cost statements (page 21)** | **$894.2** | **$811.4** |
| Less: extraordinary items | **—** | (88.3) |
| Income (before extraordinary items) applicable to common shares on a historical cost basis | **894.2** | 723.1 |
| Add: dividends on first preferred shares | **46.1** | 54.6 |
| Income on a historical cost basis | **940.3** | 777.7 |
| Current cost adjustments | | |
| — depreciation expense (a) | **(289.2)** | (317.4) |
| — cost of revenues (b) | **27.5** | 6.1 |
| — net income of associated companies on an equity basis (d) | **(8.3)** | (11.7) |
| — minority interest (f) | **(6.1)** | 5.6 |
| Income on a current cost basis | **664.2** | 460.3 |
| Financing adjustment (g) | **64.0** | 88.1 |
| Financing adjustment for associated companies | **2.9** | 4.0 |
| Dividends on first preferred shares | **(46.1)** | (54.6) |
| **Income (before extraordinary items) applicable to common shareholders on a current cost basis under an operating capability concept of capital** | **$685.0** | **$497.8** |

* Restated in average 1984 dollars.

### Notes and Additional Information

| For the years ended December 31 | 1984 | 1983 |
|---|---|---|
| | millions of dollars | |
| (a) Property, plant and equipment (net of accumulated depreciation) — at December 31 | | |
| — on a historical cost basis | **$11,655.6** | $10,747.3 |
| — on a current cost basis | **15,719.9** | 15,928.1† |
| (b) Inventories — at December 31 | | |
| — on a historical cost basis | **1,219.8** | 705.7 |
| — on a current cost basis | **1,227.3** | 731.5† |

**Notes and Additional Information** (continued)

| For the years ended December 31 | 1984 | 1983 |
|---|---|---|
| | millions of dollars | |
| (c) Total current cost (decrease) increase in property, plant and equipment and inventories held during the year | **$ (284.5)**** | $ 604.3* |
| Effect of general inflation | **608.3** | 717.4* |
| Excess of general inflation over current cost changes | **892.8** | 113.1* |
| ** This decrease results primarily from relatively lower prices for digital technology telecommunications equipment and the introduction of fibre optics as a replacement technology for certain telecommunications property. | | |
| (d) Impact of depreciation expense for associated companies adjusted to current cost | **(8.3)** | (11.7)* |
| (e) Under CICA recommendations, no adjustment is made to historical cost income taxes | | |
| — current portion of income taxes | **585.3** | 565.2* |
| — deferred portion of income taxes | **161.9** | 95.3* |
| (f) A portion of current cost adjustments is applicable to minority shareholders | **(6.1)** | 5.6* |
| (g) Financing adjustment based on current cost adjustments to depreciation expense and cost of revenues | **64.0** | 88.1* |
| Financing adjustment based on total current cost changes (note (c) above) | **(69.6)** | 171.1* |
| (h) Net assets — at December 31 | | |
| — on a historical cost basis | **6,316.9** | 5,306.9 |
| — on a current cost basis | **10,371.4** | 10,295.6† |
| (i) General purchasing power gain on net monetary liabilities. This gain does not provide funds to the corporation | **157.8** | 203.4* |

* Restated in average 1984 dollars.
† Restated in December 1984 dollars.

# Canadian Taxes on Foreign Investors

**Income Taxes**

Dividends paid or credited to non-residents of Canada on BCE shares are subject to withholding tax at 25 per cent, unless reduced by treaty. Stock dividends paid pursuant to the BCE Optional Stock Dividend Program are generally exempt from Canadian withholding tax.

Under the United States-Canada Income Tax Convention, a withholding tax of 15 per cent applies to BCE dividends paid or credited to individuals residing in the United States, or corporations organized under the laws of the United States, that do not have a "permanent establishment" or a "fixed base" in Canada.



Gains on disposals of BCE shares by a non-resident of Canada are generally not subject to Canadian income tax unless realized by the holder in connection with a business (including an "adventure in the nature of trade") carried on in Canada.

**Estate and Succession Duties**

There are no estate taxes or succession duties imposed by Canada, or any province of Canada, with the exception of succession duties in the province of Quebec. No Quebec succession duties are payable in respect of the transmission, by reason of death of the holder, of BCE shares situated outside Quebec to a beneficiary who at the time of death is neither domiciled nor resident in such province.

# Price Ranges of Common Shares

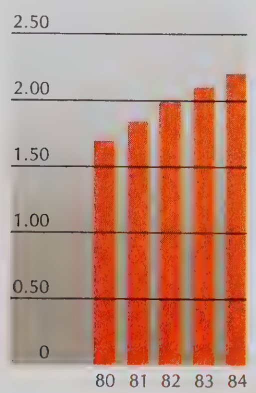
| | **1984** | | 1983 | |
|---|---|---|---|---|
| | **High** | **Low** | High | Low |
| Montreal and Toronto | | | | |
| 1st quarter | **$33¾** | **$29⅜** | $25⅞ | $22⅛ |
| 2nd quarter | **31½** | **29** | 28⅛ | 25 |
| 3rd quarter | **34½** | **30⅝** | 29¾ | 25¾ |
| 4th quarter | **35¾** | **32⅛** | 33¾ | 28⅞ |
| NYSE consolidated tape (US $) | | | | |
| 1st quarter | **$27** | **$23** | $21⅛ | $18⅛ |
| 2nd quarter | **24⅜** | **22⅜** | 22⅞ | 20¼ |
| 3rd quarter | **26⅜** | **23⅛** | 24⅛ | 20⅞ |
| 4th quarter | **27⅛** | **24½** | 27⅛ | 23½ |

Quarterly dividends of $0.545 per common share were paid in 1984 ($0.52 — 1983).

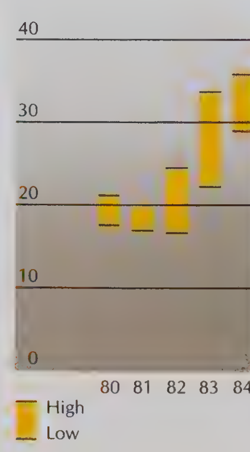
On November 28, 1984, an increase in the dividend on common shares was declared. The final 1984 quarterly dividend, which was paid on January 15, 1985, was raised to $0.57. The indicated annual rate is now $2.28, an increase of $0.10 over the previous annual rate.

At December 31, 1984, there were 321,237 registered holders of common shares.

**Dividend growth**
$




**Market prices per common share**
(Canadian dollars)



## Selected Financial and Other Data

| | 1984 | 1983 | 1982 | 1981 | 1980 |
|---|---|---|---|---|---|
| **Income statement data** (millions of dollars) | | | | | |
| **Revenues** | | | | | |
| Local service | **$ 2,294.7** | $ 2,224.2 | $ 2,136.0 | $ 1,918.3 | $ 1,625.8 |
| Long distance service | **2,739.4** | 2,481.3 | 2,276.6 | 1,972.0 | 1,624.8 |
| Directory advertising and miscellaneous — net | **506.8** | 370.6 | 278.5 | 249.9 | 205.7 |
| Total telecommunications operations | **5,540.9** | 5,076.1 | 4,691.1 | 4,140.2 | 3,456.3 |
| Telecommunications equipment manufacturing | **4,321.0** | 3,248.3 | 2,986.5 | 2,531.0 | 2,018.5 |
| Other operations | **716.8** | 550.3 | 733.7 | 718.7 | 562.2 |
| **Total revenues** | **10,578.7** | **8,874.7** | **8,411.3** | **7,389.9** | **6,037.0** |
| Income before extraordinary items | **940.3** | 745.2 | 611.5 | 546.8 | 363.4 |
| Net income | **940.3** | 829.8 | 615.4 | 555.5 | 273.4 |
| **Balance sheet data** (millions of dollars) | | | | | |
| Total assets* | **$17,486.0** | $14,940.4 | $13,424.1 | $12,451.2 | $11,463.3 |
| Common equity* | **6,316.9** | 5,306.9 | 4,256.8 | 3,859.1 | 3,471.0 |
| Preferred shares* (redeemable) | **377.5** | 423.6 | 522.4 | 361.6 | 454.1 |
| Minority interest* | **1,349.1** | 800.0 | 527.5 | 446.5 | 397.6 |
| Long term debt* (including current portion) | **4,761.2** | 4,527.0 | 4,801.0 | 4,729.3 | 4,405.9 |
| Gross capital expenditures | **1,956.3** | 1,597.1 | 1,759.6 | 1,713.9 | 1,598.2 |
| **Common share data** | | | | | |
| Earnings per common share | | | | | |
| before extraordinary items | **$ 4.03** | $ 3.46 | $ 3.05 | $ 2.95 | $ 1.99 |
| after extraordinary items | **$ 4.03** | $ 3.88 | $ 3.07 | $ 3.00 | $ 1.44 |
| Assuming full dilution | | | | | |
| before extraordinary items | **$ 3.92** | $ 3.37 | $ 2.97 | $ 2.86 | $ 1.97 |
| after extraordinary items | **$ 3.92** | $ 3.76 | $ 2.99 | $ 2.91 | $ 1.44 |
| Dividends declared per common share | **$2.205** | $2.105 | $ 1.99 | $ 1.84 | $ 1.68 |
| Equity per common share* | **$27.06** | $24.68 | $22.68 | $21.74 | $20.75 |
| Return on common equity | **15.7%** | 14.7% | 13.7% | 14.0% | 9.5% |
| **Other statistics** | | | | | |
| Telephones in service* (thousands) | **9,768.8** | 9,780.2 | 9,887.6 | 10,062.5 | 9,988.0 |
| Network access services* (thousands) | **7,144.5** | 6,886.9 | 6,721.5 | 6,649.6 | 6,467.2 |
| Long distance messages (millions) | **895.2** | 833.3 | 791.1 | 792.6 | 741.0 |
| Number of employees* (thousands) | **108.1** | 100.9 | 97.8 | 101.6 | 96.5 |

*At December 31

## Shareholder Statistics

| As at December 31 | 1984 | 1983 | 1982 | 1981 | 1980 |
|---|---|---|---|---|---|
| **Common shareholders by holdings** | | | | | |
| 1-99 shares | **130,759** | 122,765 | 100,802 | 95,903 | 97,441 |
| 100-999 shares | **161,681** | 153,232 | 136,608 | 135,440 | 132,287 |
| 1,000 shares and over | **28,797** | 28,435 | 25,802 | 24,488 | 23,170 |
| **Total** | **321,237** | 304,432 | 263,212 | 255,831 | 252,898 |
| Average number of common shares per holder | **726** | 706 | 713 | 693 | 661 |
| Total number of shareholders (including preferred) | **335,412** | 321,140 | 284,378 | 271,478 | 272,081 |
| **Common shareholders by location** | | | | | |
| Canada | **314,804** | 298,439 | 257,625 | 250,389 | 247,343 |
| Other | **6,433** | 5,993 | 5,587 | 5,442 | 5,555 |
| **Total** | **321,237** | 304,432 | 263,212 | 255,831 | 252,898 |
| **Common shares by location** | | | | | |
| Canada † | **220,691,475** | 201,913,798 | 180,237,717 | 170,641,242 | 160,697,362 |
| Other | **12,790,908** | 13,123,984 | 7,443,617 | 6,839,673 | 6,605,378 |
| **Total** | **233,482,383** | 215,037,782 | 187,681,334 | 177,480,915 | 167,302,740 |

† Held by shareholders registered as residents of Canada.

# Board of Directors

**Marcel Bélanger,** O.C., F.C.A.
Quebec, Quebec
President
Gagnon et Bélanger Inc.
(management consultants)

**G. Allan Burton,** D.S.O., E.D.
Milton, Ontario
(company director)

* **J.V. Raymond Cyr**
Montreal, Quebec
President and Chief
Executive Officer
Bell Canada

**C. William Daniel,** O.C.
Willowdale, Ontario
President and
Chief Executive Officer
Shell Canada Limited
(integrated petroleum company)

**A. Jean de Grandpré,** O.C., Q.C.
Outremont, Quebec
Chairman of the Board
and Chief Executive Officer
Bell Canada Enterprises Inc.

* **Edmund B. Fitzgerald**
Nashville, Tennessee, U.S.A.
President and Chief
Executive Officer
Northern Telecom Limited

**J. Peter Gordon,** O.C.
Mississauga, Ontario
Chairman
Stelco Inc.
(steel company)

**H. Clifford Hatch**
Windsor, Ontario
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Committee of the Board
Hiram Walker Resources Ltd.
(producer of distilled spirits,
gas and oil)

**James W. Kerr**
Toronto, Ontario
Consultant
TransCanada PipeLines Limited
(natural gas transmission
company)

**Radcliffe R. Latimer**
Toronto, Ontario
President and
Chief Executive Officer
TransCanada PipeLines Limited
(natural gas transmission
company)

**Paul H. Leman,** O.C.
Outremont, Quebec
(company director)

** **Walter F. Light**
Toronto, Ontario
Chairman of the Board
Northern Telecom Limited

**Helen L. Margison**
Toronto, Ontario
(company director)

**E. Neil McKelvey,** Q.C.
Saint John, New Brunswick
Partner
McKelvey, Macaulay, Machum
(law firm)

**John H. Moore,** F.C.A.
Lambeth, Ontario
Chairman, Executive
Committee of the Board
London Life Insurance Company

**Gérard Plourde,** O.C.
Montreal, Quebec
Chairman of the Board
U A P Inc.
(automotive parts distributor)

**Robert J. Richardson,** Sc.D.
Westmount, Quebec
President
Bell Canada Enterprises Inc.

**H. Rocke Robertson,** C.C., M.D.
Mountain, Ontario
(company director)

**Lucien G. Rolland,** O.C.
Montreal, Quebec
President and
Chief Executive Officer
Rolland inc.
(manufacturer and distributor of
fine papers)

** **James C. Thackray**
Toronto, Ontario
Chairman of the Board
Bell Canada

**Orland Tropea**
Oakville, Ontario
Deputy Chairman of the Board
and Consultant
Bell Canada Enterprises Inc.

**Louise B. Vaillancourt**
Outremont, Quebec
President
Fondation Armand-Frappier
(non-profit research funding
organization)

* appointed October, 1984
** resigned September, 1984



# Committees of the Board of Directors

**Audit committee**

M. Bélanger — Chairman
P.H. Leman
E.N. McKelvey
J.H. Moore
G. Plourde
O. Tropea
L.B. Vaillancourt

**Management resources and compensation committee**

J.W. Kerr — Chairman
G.A. Burton
J.P. Gordon
H.C. Hatch
L.G. Rolland

**Investment committee**

A.J. de Grandpré — Chairman
M. Bélanger
C.W. Daniel
H.L. Margison
J.H. Moore
R.J. Richardson
O. Tropea

**Pension fund advisory committee**

J.P. Gordon — Chairman
G.A. Burton
J.V.R. Cyr
E.N. McKelvey
G. Plourde — Vice-Chairman
R.J. Richardson
O. Tropea

Members of the pension fund advisory committee are directors drawn from the BCE board and from the Bell Canada board to oversee the Bell Canada and BCE pension funds.

# Officers

A. Jean de Grandpré
Chairman and
Chief Executive Officer

Robert J. Richardson
President

Gordon E. Inns
Executive Vice-President,
Planning

J. Stuart Spalding
Executive Vice-President,
Finance

Josef J. Fridman
General Counsel

Guy Houle
Corporate Secretary

Daniel O. Jarvis
Treasurer

Donald R. Newman
Comptroller

# Investor Information



**Transfer Offices for Stock**

***Canada:***

**BCE Shareholder Services**

800 Square Victoria
Montreal;

483 Bay St.
Toronto

**The Royal Trust Company**

St. John's, Nfld.; Halifax;
Charlottetown;
Saint John, N.B.; Winnipeg;
Regina; Calgary; Vancouver

***Outside Canada — Common shares only:***

**Morgan Guaranty Trust Company of New York**

New York, N.Y.

**The Royal Trust Company**

London, England

**Registrar for Stock**

***Canada:***

**Montreal Trust Company**

Montreal; Toronto;
St. John's, Nfld.; Halifax;
Charlottetown;
Saint John, N.B.; Winnipeg;
Regina; Calgary; Vancouver

***Outside Canada — Common shares only:***

**Morgan Guaranty Trust Company of New York**

New York, N.Y.

**Williams & Glyn's Registrars Limited**

London, England

**Listing of Stock**

***Canada:***

The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

***Outside Canada — Common shares only:***

Belgium
Brussels Stock Exchange

France
Paris Stock Exchange

Germany
Frankfurt am Main,
Düsseldorf Stock
Exchanges

Switzerland
Zürich, Basle, Geneva
Stock Exchanges

The Netherlands
Amsterdam Stock
Exchange

United Kingdom
The Stock Exchange

United States
New York Stock Exchange

# Shareholder Inquiries

*Mailing Address*

Bell Canada Enterprises Inc.
Shareholder Services
P.O. Box 3500
Tour de la Bourse
Montreal, Quebec H4Z 1L3

*Telephone*

Montreal (514) 394-7111
Toronto (416) 581-3380

## Shareholder Plans



Shareholders wishing to acquire additional common shares of Bell Canada Enterprises Inc. can take advantage of two investment plans:

The Shareholder Dividend Reinvestment and Stock Purchase Plan (DRP) provides a convenient method for shareholders to reinvest their common share cash dividends in new common shares of Bell Canada Enterprises Inc. at 95 per cent of the average market price. Participants in DRP may also invest monthly optional cash payments of up to $20,000, with a cumulative limit of $20,000 for each 12 month period ending on October 15, in new common shares of BCE at 100 per cent of the average market price.

The Optional Stock Dividend Program (SDP) allows participating shareholders to receive common share dividends in the form of new common shares of BCE (stock dividends) at 100 per cent of the average market price. Unlike cash dividends, shares issued under SDP as stock dividends to residents of Canada are not generally subject to tax when received, but rather are taxed on a capital gains basis when the holders dispose of them.

Shareholders participating in DRP or SDP pay no brokerage commissions or service charges on the acquisition of these shares and all administrative costs of these plans are borne by BCE.

Additional information can be obtained from:

Bell Canada Enterprises Inc.
Dividend Plans
P.O. Box 3000, Tour de la Bourse
Montreal, Quebec H4Z 1L1

(514) 394-7122

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The annual reports to shareholders of the public companies of the group may be obtained from those companies or by request to the Corporate Secretary of BCE.

**Form 10-K**

The Annual Report on Form 10-K is available from the date of its filing with the Securities and Exchange Commission in the United States by writing to:

The Corporate Secretary
Bell Canada Enterprises Inc.
P.O. Box 321
Tour de la Bourse
Montreal, Quebec
H4Z 1G8

Sur demande, le secrétaire de la Société vous fera volontiers parvenir un exemplaire français du rapport annuel.

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